Austria Sch22	Indonesia Rp3100	Portugal Esc120
Bahrain Din0.650	Israel NIS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta145
Cyprus C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark DKr10.00	Kuwait Fils500	Sweden SKr9.00
Egypt E£2.25	Lebanon $US1.25	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan NT$65
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.20	Mexico Peso	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway NKr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,506 Wednesday April 6 1988 D 8523 A

Little prospect of compromise in the Punjab, Page 3

World News

Soviets and US may be near Afghan compromise

The US and the Soviet Union appeared close to a compromise on the Soviet withdrawal from Afghanistan after a day of hectic superpower diplomacy in Moscow, Washington, Kabul and Geneva.

But there was growing concern that the sort of agreement possibly in the offing might lead to more, rather than less, bloodshed in the Afghan war. Page 22

Meanwhile, the Soviet-backed Afghan Government held parliamentary elections, renewed appeals to rebels to participate and invited UN human rights officials to monitor the polls.

Contra demand

Contra rebel leaders demanded freedom for their negotiators to move around Nicaragua during peace talks, rejecting a Sandinista proposal limiting them to an airport hotel in Managua. Page 4

Wisconsin test

Wisconsin voters went to the polls in a primary election test which seemed likely to be a two-man race between Democratic Party candidates Governor Michael Dukakis of Massachusetts and the Rev Jesse Jackson. Seesaw battle, Page 4

Chemical arms plea

West German Social Democrats made a joint call with the Communist parties of East Germany and Czechoslovakia for talks on a chemical weapons-free zone in Central Europe. Page 2

Soviet strikes 'ending'

Striking workers in Nagorno-Karabakh, the disputed region of Azerbaijan, were slowly returning to their jobs, the Soviet newspaper Izvestia reported. Tass news agency said the stoppages had made four factories bankrupt. Page 2

Polish crisis looms

Hardline criticism in Poland of Gen Wojciech Jaruzelski's economic reforms was surfacing within the Communist Party amid warnings that the country faced another political crisis. Page 2

Gulf barrage

Iraq fired five missiles at Iranian cities, two of them at Tehran, while Iran pounded the Iraqi port of Umm Qasr with missiles and shelled Basra. An Iranian missile hit Baghdad after Bulgarian Prime Minister Georgi Atanasov began an official visit to the Iraqi capital. Moscow reluctant on arms embargo, Page 3

French hostage mission

France had sent two secret envoys to Lebanon to discuss French hostages, according to a Syrian businessman who has acted as an intermediary in the past.

Philippines bases

The US and Philippines started a five-yearly review of an agreement covering two of the most important US military bases overseas while anti-bases demonstrators marched through Manila. Page 3

Palestinian aid pledge

Arab health ministers ended a three-day conference in Amman with a pledge to spend $250,000 on health services in Israeli-occupied territories and condemned what it said was Israeli oppression against Palestinians.

Austrian to visit Mir

An Austrian is to join Soviet cosmonauts in a flight to the orbiting space station Mir in 1992.

Bulgaria in AIDS move

Bulgaria expects to test all its population aged between 14 and 70 for AIDS by 1990. It already has mandatory testing for all people applying to marry and for all pregnant women.

Business Summary

Campeau's win makes Wall Street $250m richer

INVESTMENT BANKERS and merger lawyers are poised to enjoy one of Wall Street's greatest bonanzas as they share out up to $250m for their work in the 10-week battle waged by Campeau for control of Federated Department Stores. Page 23

CARLO De Benedetti, Italian businessman, is expected to review his position as group managing director of Olivetti, Italian data processing equipment maker which he also chairs, but countered rumours that he has imminent plans to give up his operational responsibilities. Page 23

WALL STREET: The Dow Jones industrial average closed up 16.91 at 1997.51. Page 44

TOKYO: An absence of institutional interest and market-moving factors undermined large-capital, high-technology and other leading equities. The Nikkei average finished slightly weaker, losing 19.94 to close at 26,315.35. Page 44

LONDON: Continued concern over currency movements and low turnover kept share prices down, with the FT-SE 100 index falling 4.9 to 1,737.6. Page 40

DOLLAR closed in New York at DM1.6670; Y125.25; SFr1.3775; FFr5.6630. It closed in London at DM1.6690 (DM1.6560); Y125.10 (Y124.10); SFr1.3760 (SFr1.3635); and FFr5.6600 (FFr5.6125). Page 33

STERLING closed in New York at $1.8790. It closed in London at $1.8800 ($1.8880); DM3.1375 (DM3.1250); Y235.25 (Y234.25); SFr2.5875 (SFr2.5750); FFr10.6400 (FFr10.5975). Page 33

CALMAT, California building materials group, put its cement and property divisions up for sale to thwart a $1.2bn takeover offer from Brierley Investments, main corporate vehicle of Sir Ron Brierley, New Zealand entrepreneur. Page 23

PLESSEY and the General Electric Company (GEC) disagreement has forced the collapse of a £25m ($47m) UK Government plan to back development work on an advanced form of semiconductor technology. Page 22

INTERNATIONAL BANKS are jockeying for a role in the forthcoming $200m Bank of China loan, first of a series of borrowings for the Daya Bay nuclear power plant. Page 26

OVERSEAS DEBTS with a face value of $117m will be converted at an average discount of 54 per cent under Argentina's second debt/equity swap round, bankers say. Page 26

ROYAL BANK of Canada is to combine its London investment banking activities with those of Dominion Securities, Canadian securities firm, which will mean the end of the activities of Orion Royal Bank. Page 23

KUWAIT Investment Office, whose Spanish paper subsidiary, Torres Hostench, is embroiled in a hostile Pta24bn ($217.2m) bid for Ebro, Spain's biggest sugar refiner, is said to have enough offers of shares to guarantee it 50 per cent of Ebro. Page 24

CHICAGO Board Options Exchange proposed sweeping changes to its margin rules in an effort to make its margins more responsive to current market volatility. Page 26

ERIDANIA SPA, Ferruzzi group's holding vehicle for sugar and other agro-industrial interests, reported a nearly unchanged net profit for 1987 of L43.3bn ($35m). Page 24

CSX, US rail and resources group whose results traditionally herald another US quarterlies season, announced a sharp fall in first-quarter net earnings from $85m to $66m. Page 23

INTERNATIONAL Finance Corporation, part of the World Bank, is drawing up plans to enable foreign institutions to play a bigger role financing industrial developments in India. Page 25

Hijackers demand release of Arab militants in Kuwait

THE HIJACKERS of a Kuwaiti airliner diverted yesterday to north-east Iran have demanded the release of 17 Arab militants imprisoned in Kuwait for acts of terrorism, Tehran said last night, writes Richard Johns in London.

Three members of the Kuwaiti royal family on board were said by Tehran Radio last night to be in "imminent danger" unless the demands were met.

The hijackers – identified only as Arab-speaking – are holding 97 passengers, including 20 British citizens, and 15 crew members on board the Kuwait Airways 747 hijacked to Mashad while on a flight from Bangkok to Muscat.

Tehran could find itself in a dilemma because the hijackers probably belong to an extremist Shia group sponsored by its own Supreme Assembly for Islamic Revolution.

At the same time, the regime may relish putting pressure on Kuwait over a prolonged period before the crisis is resolved. Earlier the official Islamic Republic news agency (IRNA) had reported a demand by the hijackers that the aircraft be refuelled. They threatened to blow it up if this demand was not met, according to the Iranian agency.

IRNA also quoted a Jordanian passenger, released because of illness, as saying five or six men armed with hand grenades and pistols, who had taken control of the aircraft about three hours after it left Bangkok, had tied the passengers' hands and seated them in the rear of the aircraft.

Later, Kuwaiti political sources said the Kuwaiti Government was holding an emergency meeting on the incident.

The 17 Arab militants, all but one of them Shia extremists imprisoned in Kuwait in 1984, were convicted of car bomb attacks against the US and French embassies there in the previous year. Three are under sentence of death.

Persistent and seemingly concerted attempts to obtain their release have spawned a number of terrorist outrages including the hijacking of a Kuwait Airways Airbus to Tehran at the end of 1984 and a TWA 727 to Beirut in the summer of 1985, two long-drawn out affairs involving the killing of three Americans.

The majority of hostage cases in Beirut since the beginning of 1984, with the abductions usually made in the name of Islamic Jihad ("Holy War"), have been related to the incarceration of the 17.

They are known to have belonged to Al Dawaa ("The Call"), a murky organisation active in underground opposition in Iraq to the regime of President Saddam Hussein.

Last night, observers were sceptical about the official explanation that the aircraft had been forcibly diverted to Mashad because of fuel shortage and suggested that the ancient religious city had been chosen because the hijackers could expect a basically sympathetic reception there.

Kuwait has resisted all pressures to set the Shia prisoners free.

Markets still nervous as pound surges and dollar gains ground

BY SIMON HOLBERTON AND PHILIP STEPHENS IN LONDON

THE POUND surged to its highest level for more than two years yesterday and the dollar rallied on foreign exchanges but the financial markets remained nervous. Share prices in London edged lower while in New York a late rally pushed prices higher.

At the close of European trading, the pound was more than a pfennig higher against the D-Mark although it was little-changed against the dollar, which held on to its gain in New York.

There were reports, however, that the US Federal Reserve, the US central bank, had intervened earlier on behalf of the Bank of England when sterling rose to $1.88.

On the Bank's trade-weighted sterling index the pound ended in London at its highest level since January 1986 at 78.3 compared with its previous close of 78.1.

The dollar gained a yen and more than a pfennig, underpinned by slightly higher dollar interest rates and technical factors in the inter-bank market.

Sterling's latest surge and the uncertainty over the outlook for the dollar provide an unsettling backdrop to next Wednesday's meeting of finance ministers and central bankers of the Group of Seven industrial nations.

The seven – the US, Japan, West Germany, France, Britain, Canada and Italy – have sought to downplay expectations ahead of the talks next week at the International Monetary Fund in Washington. The official message from several capitals is that governments will re-affirm last December's commitment to exchange rate stability and to continued policy co-ordination to reduce international trade imbalances.

Senior European monetary officials concede privately, however, that there is considerable concern that financial markets may upset plans to hold the dollar relatively steady in the run-up to November's US presidential election. Although both the US trade deficit and the Japanese and West German trade surpluses have begun to narrow, there is less confidence that progress will remain rapid enough to maintain calm in the markets.

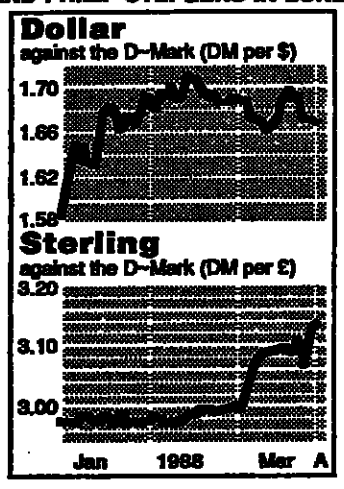
The presidential election has ruled out the possibility of further action by the US to cut the US budget deficit, while West Germany has made it clear that it is not prepared to take further action to stimulate its economy. At the same time the US has indicated it is reluctant to take the advice of Mr Nigel Lawson, Britain's Chancellor, that it should be ready to raise interest rates significantly to defend the dollar.

The scale of the problem facing the Seven will be underlined in the IMF's latest World Economic Outlook, due to be published at the end of next week. The Fund's forecasts suggest that, while the US current account deficit will fall significantly between 1987 and 1989, the medium term outlook is for the deficit to remain above $100bn.

The uneven prospects for the US economy and the uncertainty surrounding the presidential elections are cited as the main reasons.

Continued on Page 22

UK economic forecasts, Page 22; Currencies, Page 33; Stock market reports, Section II; Lex, Page 22



BAT bid for US insurer faces public inquiry

BY NICK BUNKER IN LONDON

REGULATORS IN California have taken the unusual step of calling a three-day public hearing to examine the $4.5bn contested takeover bid by BAT Industries, the UK-based tobacco multinational, for Farmers Group, the US insurer.

Ms Lorraine Johnson, staff counsel for the California Insurance Department, said yesterday that the state did not normally require public hearings when examining proposed takeovers of local insurers, but BAT's bid raised special issues.

The decision to hold a hearing was taken by Ms Roxani Gillespie, the state's insurance commissioner, largely because of Los Angeles-based Farmers Group's status as California's second biggest motor and household insurer, she said.

California is the most important state in which BAT has to gain regulatory approval, because it accounts for about 41.5 per cent of Farmers' non-life insurance business.

Ms Gillespie is likely to ask the chief financial officers of both companies to appear at the hearing, due to start in Los Angeles on May 4. BAT has indicated that it welcomes the opportunity for debate, and has written to Farmers' shareholders saying that it is prepared to raise its bid again if Farmers agrees to enter friendly talks.

However, observers in California believe that Farmers will take legal action to postpone the hearing until after its annual meeting on May 20. Mr Jason Katz, Farmers' general counsel, said yesterday that the group was "evaluating the issues."

Ms Johnson mentioned two points raised by the bid. First, Farmers is not an orthodox insurer, but a so-called attorney-in-fact managing a series of "exchanges," in which policy-holders insure each other.

"We are obviously concerned about the relationship between the attorney-in-fact and the exchanges. Even people in the business don't understand it," Ms Johnson said.

The department also wants "voluminous" documentation from BAT proving its ability to finance the acquisition without increasing Farmers' premium rates, she said.

Similar hearings have been scheduled in Oregon and Arizona. In Kansas on April 20, regulators are holding another hearing on the separate question of whether BAT can solicit support from Farmers' shareholders in advance of the annual meeting.

Beazer in Koppers appeal

BY RODERICK ORAM IN NEW YORK

BEAZER, the UK building company, yesterday filed an appeal against a Californian court injunction that has blocked its bitterly contested attempt to take over Koppers, a US aggregates and chemicals group.

Beazer's $60-a-share offer, worth $1.69bn, expires tomorrow, but it could be readily extended while the company tries to have the injunction, which it called "clearly erroneous," overturned by a higher court.

The legal delays give Koppers a little more time to try to negotiate the sale of some or all of its assets to a "white knight" as a

Continued on Page 22

Two Tokyo companies accused of Cocom violations

By Carla Rapoport in Tokyo

JAPANESE police yesterday raided the Tokyo offices of two trading companies which allegedly sold sophisticated electronic equipment to China in violation of Cocom (Co-ordinating Committee for Multilateral Export Controls) regulations covering high technology exports to Communist countries.

The incident could prove highly embarrassing to the Japanese if the allegations are proved correct. Japan has bitterly criticised the US Trade Bill which imposes sanctions against the Toshiba group for a violation under Cocom rules committed by one of its subsidiaries.

That violation was uncovered last year following information passed to the Japanese by the US.

This week's case, lodged against two small Tokyo-based trading companies, was also brought to Japan's attention by the US.

Both companies allegedly sold sophisticated machinery made by Iwatsu Electric, a telecommunications company, to the Chinese in 1985 and 1986.

The equipment includes electronic measuring equipment, including a signal analyser, digital memories and a sampling oscilloscope. It can be applied to military purposes, including data-gathering on nuclear explosions or analysing submarine noise.

The Government believes that the equipment, worth less than $500,000 altogether, was smuggled into China in a courier's hand luggage.

Iwatsu Electric yesterday denied knowledge of the incident. Mr Seiji Murata, director of export division of the Ministry for International trade and Industry, said the company must have contacted the Chinese on technical matters concerning the alleged sale.

The two trading companies involved are Kyokuto Shokai, a chemical and equipment trading house and Shinsei Koeki, a textile and electric appliance trading company.

The first company's sales are alleged to have been worth Y34m ($274,193) while the second company allegedly sold Y14m of the sensitive equipment to the Chinese. Both sales were carried out without licenses from the Government.

In the meantime, the Foreign Ministry has announced that the proposed sanctions against Toshiba over Toshiba Machine's Cocom violation could be in violation of the provisions of the General Agreement on Tariffs and Trade. If the US Administration does not veto the sanctions, the Ministry says it may consider taking the case to Gatt.

Japan seeks sanctions opposition, Page 2

Fed governor says US inflation rate 'entirely unsatisfactory'

BY ANTHONY HARRIS IN WASHINGTON

GOVERNOR Wayne Angell of the Federal Reserve Board said in New York yesterday that consumer price inflation in the US was "entirely unsatisfactory" and should be reduced to a 1 per cent annual rate by 1990.

He said that monetary policy should respond pre-emptively to any sign of price inflation, and that past policy actions by the Fed were "too little and too late."

Coming at a time when the bond market is receding on the fear that the Fed has already tightened its monetary policy, his remarks will attract keen attention, but he refused to comment on current policy.

However, he went out of his way to chide the bond market on reacting badly to recent figures showing strong employment growth.

"There is no bad news in the employment figures," he said. "More people are at work, and they are producing more."

The bond market was also illogical, he suggested, in retreating on reports of firmer Federal Reserve policy, or the belief that recent monetary gorwth rates, which he regarded as unsatisfactory, might be reduced.

"The bond market should be encouraged to know that the Fed is resisting inflation," he said.

He added that the correction of the gross over-valuation of the dollar was bound to transmit some price shock; but while a one-time adjustment should not be resisted, the Fed must be especially vigilant to prevent this becoming embedded in inflationary expectations.

Mr Angell is known as a highly independent thinker in the Federal Open Market Committee. He tends to lay far more stress on exchange rates (to the indignation of the American Bankers' Association) and on commodity prices than has been normal in Fed policy-making, and less stress on credit growth and the rise in activity. He is seen as a hardliner on inflation.

He and Governor Robert Heller have been publicly urging that commodity prices should be included as one of the main inflation indicators to which monetary policy should respond, but this proposal was given a rough ride at the conference Mr Angell was addressing, which was sponsored by the New York Futures Exchange.

Analysts argued that commodity prices were too volatile and too vulnerable to supply shocks to be an appropriate policy guide, and that unit labour costs might be a more reliable forward indicator.

Shultz continues peace mission

BY TONY WALKER IN AMMAN

MR GEORGE SHULTZ, the US Secretary of State, whose Middle East peace mission appears to be making little headway, held inconclusive talks yesterday with Jordan's King Hussein before leaving for Damascus.

Jordanian officials, who remain intensely sceptical of Mr Shultz's ability to break the impasse in the peace process, said they were prepared to keep talking.

Jordan seems particularly anxious to avoid any blame for the failure of the Shultz mission. Its strategy is to portray Mr Yitzhak Shamir, Israel's Prime Minister, as the main obstacle to peace.

Mr Shamir has effectively rejected Mr Shultz's proposal for an international conference as an opening to discussions between Israel and its Arab protagonists.

Mr Taher al Masri, Jordan's Foreign Minister, said that "there was no decision" in talks between King Hussein and Mr Shultz. He did not elaborate.

The Shultz plan calls for an accelerated process of Palestinian self-rule in the West Bank and Gaza, accompanied by negotiations on the final status of the territories. This would be proceeded by an international conference.

Jordan's Arabic press yesterday reflected official scepticism of the mission. The daily newspaper, al Dustour, accused Israel of rejecting outright the "idea of an international conference which would help the Arabs and the Israelis exchange land for peace."

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Senator William Proxmire, Chairman of the US Senate Banking Committee, condemns delays, Page 22

EUROPEAN NEWS

FIERCE STRUGGLE UNDER WAY IN SOVIET PARTY, SAYS NEWSPAPER

Pravda castigates reform opponents

BY LESLIE COLITT IN MOSCOW

THE SOVIET Communist Party newspaper Pravda yesterday said an "acute" struggle was under way between supporters and opponents of Mr Mikhail Gorbachev's *perestroika* reforms of Soviet economic and political life.

In an important unsigned editorial reflecting the views of the Soviet leadership, Pravda lashed into "anti-*perestroika* forces" which were trying to undermine the reforms. In a highly unusual move it criticised Sovietskaya Rossiya, the party newspaper of the Russian Federation, for publishing what it called a "manifesto" for opponents of *perestroika*.

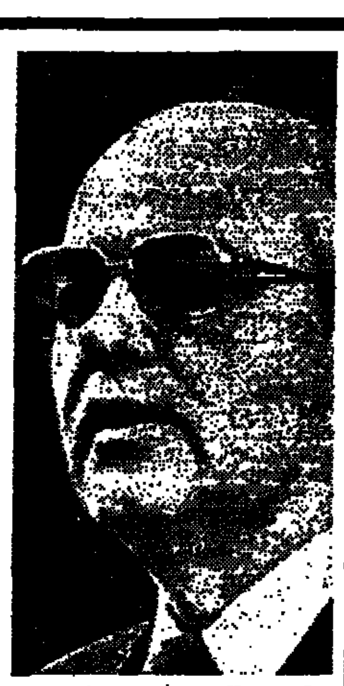
A knowledgeable East European diplomat noted that the Pravda attack coincided with a sharp debate taking place within the Soviet Communist Party over inner-party democratisation in advance of a special party conference to be held in June. The conference could lead to a replacement of central committee members who have only reluctantly followed Mr Gorbachev's sweeping reforms.

Pravda said some people's "nostalgia" for the past could be understood but that it was not proper for a "press organ" to propagandise such views. It directed its wrath at an article recently published by Sovietskaya Rossiya which asserted that the repressions of Josef Stalin had been exaggerated. Written in the form of a letter from a Leningrad teacher, the article said the current criticism of Stalin's policies had resulted in nihilism and ideological confusion among young people in the Soviet Union.

Pravda retorted that the problems of Soviet youth were deeply rooted in the past. It accused those who tried to "whitewash" Stalin of wanting to preserve his methods. In a scathing ideological condemnation, Pravda compared internal opposition to Mr Gorbachev's reforms with his Western "antagonists" and concluded that both were "close" together.

Pravda's attacks on Sovietskaya Rossiya were significant as the Soviet party newspaper itself has played a cautious role in expounding Mr Gorbachev's reforms compared with several other Soviet newspapers. Sovietskaya Rossiya, which originally was a forceful proponent of *glasnost* (openness), has increasingly taken a more conservative line in recent months.

The Pravda attack said increased democracy implied the right to express different opinions but it urged newspapers to show responsibility. The Soviet Communist Party newspaper bitingly referred to "voices of doubt" which maintained that greater democracy and *glasnost* had gone too far and which accused the leadership of undermining the "fundamental" principles of socialism.



Gorbachev: perestroika under attack in party

Voices raised against Jaruzelski in Communist party

BY CHRISTOPHER BOBINSKI IN WARSAW

HARDLINE CRITICISM in Poland of General Wojciech Jaruzelski's economic reforms is surfacing within the Communist party amid warnings that the country faces another political crisis.

The hardliners have been spurred into action by the General's partial condemnation last month of anti-Semitic purges in the party in 1968 which many of them supported. The urgency also flows from the present round of price increases which threaten to push the inflation rate beyond 50 per cent this year, fuelling shop-floor pressure on wages and raising the spectre of an uncontrolled inflationary spiral.

The latest issue of the weekly magazine Zycie Literackie carries an article by Mr Stanislaw Kociolek, a prominent hardliner, criticising the reform programme for "encouraging the private sector and economic relations appropriate to capitalism."

Mr Kociolek was party First Secretary in Warsaw and then ambassador in Moscow before being pushed out of office by Gen Jaruzelski in the mid-1960s.

His article seeks to defend Mr Wladyslaw Gomulka, who was party leader in 1968 and thus ultimately responsible for the purges. The same newspaper has also mentioned a recent stormy meeting of Communist party war-time partisans, now members of the Zbowid Veterans' Association, who have dealt a blow to Gen Jaruzelski's prestige within the establishment by criticising the "failure to resolve Poland's crisis."

Mr Teodor Kufel, a retired senior security official, told the meeting that the country "finds itself on the eve of a new crisis with unforeseeable social, political and economic consequences."

He attacked growing social differences and accused the Government of trying to make up for its failure to increase production by embarking on a "mad round of price rises."

"The basic principles of our socialist system are being discarded step by step," he told the meeting which later condemned the Government overwhelmingly for failing to provide "clear, trustworthy guarantees that Poland's problems are going to be resolved."

● Teams from the International Monetary Fund and the World Bank flew into Warsaw yesterday for a two-week visit aimed at assessing Poland's progress in implementing economic reform. Their reports are expected to provide the basis for decisions on whether to open formal talks on stand-by credits, as well releasing World Bank development aid.

Gorbachev sees chance of pact at summit

BY OUR FOREIGN STAFF

MR MIKHAIL GORBACHEV said yesterday there were realistic prospects for a superpower pact halving long-range nuclear arsenals, despite differences with the United States.

Soviet television quoted him as telling Mr Willy Brandt, the former West German Chancellor, that "we see that a large number of questions have been worked out and, on the remaining questions, we see the possibility of reaching a mutually acceptable compromise."

It was not clear from the television report whether Mr Gorbachev had expressed optimism about a long-range arms accord being reached in time for Mr Reagan's visit to Moscow on May 29.

Moscow and Washington are committed in principle to seeking an accord by that date, but US officials have stressed that they are not treating it as a deadline.

According to Mr Egon Bahr, the disarmament expert of the Social Democratic Party who accompanied Mr Brandt, the Soviet leader told his West German visitors that technical obstacles to a superpower accord halving strategic nuclear missiles were not insurmountable, but he was less confident about prospects for solving political problems.

Mr Brandt, who also discussed Soviet reforms and North-South issues with the Soviet leader, said he was impressed by Mr Gorbachev's openness and directness and was convinced of his sincerity in seeking disarmament.

On conventional arms, Mr Bahr quoted Gorbachev as saying he was astonished the West still did not recognise Moscow's readiness to take significant steps to disarmament.

East-West call on chemical weapons

WEST GERMANY'S opposition Social Democrats yesterday made a joint call with the Communist parties of East Germany and Czechoslovakia for talks on a chemical weapons-free zone in Central Europe, Reuter reports.

The statement, presented in Bonn by Mr Karsten Voigt, a Social Democratic deputy, was also published by the East German news agency, ADN.

It urged talks between the governments in Bonn, Prague and East Berlin on verification procedures for a chemical weapons-free zone comprising the three countries.

Mr Voigt said such negotiations could speed up agreement in the Geneva talks on a worldwide chemical ban which are stalled because of US doubts that an accord can be verified effectively.

He said the statement signalled willingness by the two Warsaw Pact countries to disclose their own stockpiles.

Last year the Social Democrats issued a controversial statement with the ruling East German party on common goals and shared values despite the East-West rift.

The statement said the US decision to resume production of binary chemical weapons, which combine two harmless substances into lethal bombs, was complicating the Geneva talks.

However, it welcomed the US promise to withdraw chemical weapons based in West Germany by 1992. Mr Voigt said Prague and East Berlin would eliminate their own arsenals after the US action.

West Germany, East Germany and Czechoslovakia, should agree in coming talks not to produce, base or allow the deployment by others of chemical weapons on their soil, the statement said.

French air strike

Pilots and navigators for the French domestic airline, Air Inter, yesterday announced a 72-hour strike to begin next week, AP reports from Paris. The three-day strike is to press demands for test flights of the new Airbus A-320 airliner which is flown by a pilot and co-pilot without a navigator.

Azerbaijan strikers 'going back'

By Leslie Colitt in Moscow

THE SOVIET newspaper Izvestia said yesterday that striking workers in Nagorno-Karabakh, the disputed region of Azerbaijan, were slowly returning to their jobs, while Tass news agency reported that the stoppages had caused four factories to go bankrupt.

The report in Izvestia indicated that some strikes in Stepanakert, capital of Nagorno-Karabakh, continued to disrupt daily life. "Today, it seems, is the first day" when the situation in Stepanakert had genuinely improved.

Tass said production losses from the strike amounted to more than Roubles 4m (£3.6m).

The strikes were called last month in protest against the refusal by the Soviet leadership to allow Nagorno-Karabakh to join the Soviet Republic of Armenia.

Nagorno-Karabakh has been governed by the Republic of Azerbaijan since 1923. The status of the region has long been disputed between traditionally Christian Armenians and Moslem Azeris.

Izvestia said more than half of the personnel of an electrical engineering factory and a silk mill in the capital had reported for work and about a third of the workers of the shoe and furniture factories.

The newspaper said Stepanakert was "beginning" to extricate itself from an impasse into which it had been drawn by "runaway emotions." "What Nagorno-Karabakh needs now is to take at long last a calm breath," Izvestia maintained.

The politically motivated stoppage has worried the Soviet leadership. Previously, any independently organised strikes had been over job grievances.

Kadar bars the door to bold political reform in Hungary

BY JUDY DEMPSEY, RECENTLY IN BUDAPEST

THE HUNGARIAN Communist Party appears to have decided against any bold political reforms, according to a central committee draft document which will be debated at next month's party conference, the first since 1957.

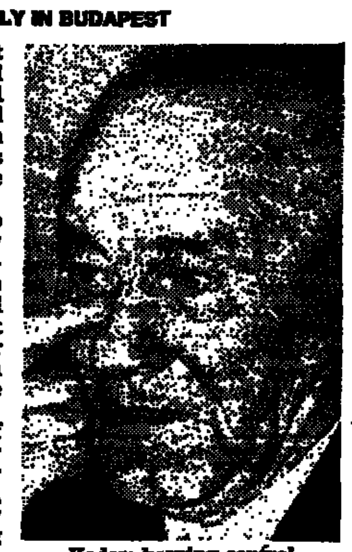
The document bears the stamp of Mr Janos Kadar, the party leader since the Soviet intervention of 1956. It spells out in no uncertain terms that political change will not be considered at the conference, and that Mr Kadar himself has little intention of relinquishing control over the party.

Although it catalogues a list of mistakes made by the party over the past few years, in particular the slowing of economic reforms, the document says that unity should prevail over dissenting views within and outside the party.

Hungary has recently seen a burgeoning of small unofficial opposition groups, ranging from environmentalists to those who ask basic questions about the functioning of the Communist system. There are also several factions within the party which oppose Mr Kadar's line.

The document has already disappointed several economists and intellectuals who argue that, without political reform, economic reform will inevitably run into trouble. One of the advocates of this view is Mr Imre Pozsgay, chairman of the Patriotic People's Front (a broad-based political movement outside the Communist party but supported by it), which was criticised indirectly in the draft document.

Supporters of Mr Pozsgay argue that the longer Mr Kadar postpones his retirement or the introduction of some political reforms, the more difficult it will be to rebuild a consensus.



Kadar: keeping control

"His (Mr Kadar's) version of consensus has outlived its usefulness. Too much indecision and uncertainty now prevails in the country about the future of the reforms," one central committee member said.

A sense of uncertainty is reflected in the party's journals, in official publications and within the think-tanks which are a hot-bed of new ideas.

Mr Pozsgay and many economists believe that the leading role of the party should be redefined in order to reflect the changing nature of the Communist systems. This would mean "institutionalising" groups with differing political views and allowing a measure of genuine pluralism.

Several Hungarian political scientists have argued that economic reforms inevitably bring conflicts. They say it is time the party channelled these into a wider, more pluralist political arena, and that otherwise the conflicts will go beyond the control of the party.

For instance, Hungarian academics argue that the unemployed, whose existence is now becoming ideologically accepted, will require institutions in which they can exercise their rights.

They point to the grievances of the less well-off, those without access to the moon-lighting "second economy", and the country's increasingly disenchanted youth. The party, whose structures are still rigid, has seen a sharp fall in membership, and the academics say there could be further increases in the strength of unofficial "lobbying" groups.

"The party is no longer able to respond to these changing circumstances. Communist parties are not equipped to deal with these emerging conflicts," one Hungarian political scientist argued.

Mr Pozsgay and others regard Parliament as one of the means for institutionalising these groups. But Parliament has an abysmal record on allowing non-party groups to voice their grievances. "At the end of the day, it is the party who will decide," one Hungarian journalist commented.

The document calls for a wider range of choices in party elections, but it does not envisage any change in the current requirement that all candidates accept the party programme.

"Essentially, it is a holding operation," a Hungarian journalist commented. "Kadar has reasserted his authority in the party even though he carries little authority outside the party."

Many Hungarians wonder how long Mr Kadar can hold together an increasingly restless party and society before the underlying conflicts burst into the open.

Ankara receives EC aid despite Greek opposition

BY JIM BODGENER IN ANKARA

A PACKAGE of European Community aid for Turkey valued at a total Ecu9.5m (£6.27m) was handed over in Ankara yesterday, another step on the long road towards the revival of Turkey's relations with the Community and full membership.

The aid has been extended in the face of a court action by Greece against it in Luxembourg.

The money is left over from old aid programmes in the 1970s, and is for anti-malarial and geothermal projects. The signing of the agreement despite the Greek court case was made possible by the Single Europe Act, which allows for a majority decision in the Council of member states to override individual countries' vetoes.

The association agreement was effectively frozen after the 1980 military coup. However, a diplomatic drive to revive the accord has been under way since 1986, with the broad approval of all EC member states except Greece.

Late last year, Turkey agreed to resume making tariff cuts provided for in the agreement, which foresees a customs union between the EC and Turkey in 1995.

Ankara is hoping for substantive discussions at an EC-Turkey meeting later this month. The first EC-Turkish ministerial council meeting since the 1980 coup took place in autumn 1986, but Greek opposition sapped those talks of substance.

Athens declines to ease terms for EC-Turkey pact

BY ANDRIANA IERODIACONOU IN ATHENS

ATHENS HAS signalled to Ankara that it still intends to set tough conditions on the revival of Turkey's 1963 Association Treaty with the European Community, despite an improvement in bilateral relations.

A Greek spokesman confirmed this week that the Turkish Government has asked Athens to lift its objections to the release of Ecu600m (£396m) in funds under the Turkey-EC Association Treaty.

He said, however, that Greece continues to set two conditions on the release of the funds: the prior complete withdrawal of Turkish occupation troops from Cyprus; and the improvement of the human rights situation

Following a landmark meeting last January between the Greek and Turkish Prime Ministers, Athens softened its policy towards Ankara in the Community to the extent of signing a protocol making Greece a party to the Turkey-EC Association Treaty.

Turkey paved the way for the move by agreeing to rescind a 1964 decree freezing Greek assets in Istanbul. However, Turkish hopes that Greece would also withdraw its objections to the so-called fourth financial protocol have not been realised.

The issue is expected to be raised during a forthcoming visit to Athens by Mr Ali Bozer, Turkey's Minister for EC Affairs.

Wide agenda for Thatcher discussions in Ankara

BY ROBERT MAUTHNER IN LONDON AND JIM BODGENER IN ANKARA

THE BRITISH Prime Minister, Mrs Margaret Thatcher, is expected to have wide-ranging talks with Mr Turgut Ozal, her Turkish counterpart, covering Turkey's role in Nato, possible solutions to the Cyprus problem and British participation in major Turkish economic projects, during a two-day official visit to Turkey starting today.

Mrs Thatcher, who is reputed to admire the efforts made by Mr Ozal to restructure and modernise his country's economy, will be paying the first visit of a British Prime Minister to Turkey since its creation as a modern state by Kemal Ataturk in 1923. She will also have a meeting with General Kenan Evren, the Turkish President.

Though her hosts are expected to seek reassurance from Mrs Thatcher that the British Government supports Turkey's application for full membership of the European Community, the Prime Minister will not commit herself to a firm timetable. While Britain has stressed all along that it is sympathetic to Turkey's desire to adhere to the Community, the view in London, as in other EC capitals, is that the whole procedure will take a long time.

For the moment, it is being emphasised in London that it will take at least two years for the European Commission to come up with its considered opinion on the Turkish application and that the Commission's conclusions will determine the future course of events.

Mrs Thatcher can be expected to urge Mr Ozal to take advantage of the recent improvement in Greek-Turkish relations to intensify his efforts to find a solution to the Cyprus problem. However, officials said that she had no intention of offering the British Government's services as a mediator and that London continued to believe that a solution to the Cyprus problem should be found in the framework of the proposals made by Mr Javier Perez de Cuellar, the United Nations Secretary-General.

British contractors are hoping that at least one major award will be made or follow on from the visit. Their hopes are centred on defence and highway construction awards, but diplomats say it may be premature to expect a contract for the third Bosporus bridge.

Defence contracts from the Government's $15bn drive to modernise the military's inventory will probably figure high on the agenda of talks during the visit.

A $1bn contract for the local manufacture of amphibious armoured vehicles has been lost to the FMC Corporation of the US, but there are great expectations of a repeat order, valued at

Mrs Thatcher will be paying the first visit by a UK Prime Minister since Ataturk created the modern Turkish state in 1923

$300m-$400m to British Aerospace for its Rapier missiles. Also at stake is a complete low-altitude air defence system.

Plessey, Marconi and Westland are also bidding for radar, comunications and helicopter supply and local manufacturing contracts as well.

Heading the list of construction contracts is a $250m "finance, design and build" project to drive a 9km local traffic highway from Besiktas to Samatya through the heart of European Istanbul, which includes another bridge across the Golden Horn.

George Wimpey and Co and Tarmac International are co-sponsors of a consortium which has already beem selected for the contract by Istanbul municipality. All that remains is the Treasury's blessing and a go-ahead from Mr Ozal's office.

Balfour Beatty International is also close to signing a contract for a $200m road between Aydin and Denizli in the south-east. This is the last major highway section remaining to be awarded of an ambitious toll motorway construction programme launched after the award of a contract for the second Bosporus bridge in 1985.

Mrs Thatcher is expected to lobby hard for the award of a "build-operate transfer" (BOT) contract for the third Bosporus bridge to a consortium including Trafalgar House, which is contending with the lowest bidder, Sezai Turkes-Feyzai Akkaya (ST-FA) of Turkey, and its quote of $171.5m. A grant offer of around £35m from the UK has been indicated to swing the award.

However, the Turkish Government has cut back severely on its development programme in 1988 to curb inflationary growth, and it may feel the the third bridge can wait for the present. The bridge forms part of a local traffic route including the Besiktas to Samatya highway. An award for the a bridge might also be out of phase, since it will take only three or four years to build, compared with five for the highway.

An announcment of the sucessful consortium was expected soon after bids were returned for the third bridge on February 8. But the municipality has postponed an announcement several times, saying the bids were still under evaluation. The mayor of Istanbul, Mr Bedrettin Dalan, has said on several occasions that ST-FA looked to be ahead in the competition. But he is an astute politician not likely to pass up the political capital accruing from a non-binding statement of intent during the first visit of a UK Prime Minister to Istanbul.

Istanbul contractors say more progress could be made on a BOT contract for a $250m water treatment centre at Omerli on the Asian shore of the Bosporus. Istanbul Water and Sewerage Administration has to choose whether to invite tenders or select one of three groups bidding for the work.

In recent years, Turkey has become a prime market for UK exporters. Bilateral trade has increased by 160 per cent since Mr Ozal first took office as Prime Minister in 1983 to total more than $1bn in 1987, heavily weighted in Britain's favour.

UK exports totalled $700m in last year compared with $540m. In the EC, the UK is Turkey's third largest trading partner behind West Germany and Italy. Britain ranks fifth as an export market, and sixth as an imports supplier. British tourists are discovering Turkey, with 270,000 visitors in 1987.

Switzerland cuts surplus estimate

SWITZERLAND'S estimated current account surplus for last year narrowed to SFr10.417bn (£4.05bn) from the 1986 provisional surplus of SFr12.137bn, the Swiss National Bank reported yesterday, AP-DJ reports from Zurich. The narrower surplus stemmed in part from the weak dollar and lower interest rates, the central bank said.

In the fourth quarter of 1987, the estimated current account surplus widened to SFr2.88bn from an estimated surplus of SFr1.29bn in the third quarter, but shrank from the provisional surplus of SFr3.23bn in the fourth quarter of 1986.

More Soviet Jews allowed to emigrate

Jewish emigration from the Soviet Union continued to accelerate last month, when 944 people were allowed to leave, according to the Intergovernmental Committee for Migration, writes William Dullforce in Geneva. This was the highest monthly figure since July 1981.

W German boost

West Germany's overall balance of payments surplus edged higher in January to DM4bn (£1.3bn) from DM3.98bn in December, Bundesbank figures showed, Reuter reports from Frankfurt.

Belgian jobless

Belgium's unemployment rate fell to 10.9 per cent in March from 11.3 per cent in February and 11.8 per cent a year earlier, according to the National Labour Office, AP-DJ reports from Brussels. Some 458,458 people were unemployed in March, down from 476,141 the previous month.

Yuri waits for Moscow to enter the modern age of motoring

BY LESLIE COLITT IN MOSCOW

THE MODERN facade of the sprawling Avtomobil service centre on Moscow's Minsk Boulevard holds a promise of efficiency which, alas, is not fulfilled within.

Inside, Yuri, owner of an eight year old Lada car, was waiting. Like the other motorists gathered here, he took the day off from work - legally or not, one can only speculate - to have his car repaired.

First, he queued for 45 minutes outside to tell a disgruntled mechanic the car needed a tune-up. He mentioned that he wanted his friend, the mechanic Vladimir in Bay 84 to work on his car. Request granted. Yuri waited another hour and drove into Vladimir's repair slot.

Being able to choose one's mechanic and watch him at work sounds rather sensible to Western motorists who are forever being victimised by garages and mechanics. The Soviet explanation, however, is different. If Yuri had been assigned a mechanic and not watched every move he is convinced the engine and chassis would have been pillaged for serviceable parts. As it was he knew Vladimir and, bending over the engine, he advised him on every step of the operation. The visit to the service centre would take Yuri's entire day.

When parts were required, Yuri - not the mechanic - had to go to the parts stockroom to queue up. First, it was to ask for the part and to get the price. Then under the time-honoured Soviet system he queued a second time at the cash desk and paid for the item after which he queued a third time to pick it up.

Several dozen motorists, whiling away the time in front of the building, were absorbed in a lively but illegal gambling game. A young man urged them to risk their roubles while quickly moving about three thimbles and a tiny ball on a board. The men were to guess under which thimble the ball was to be found. Even when the wagers had reached R200 a guess - the average monthly income in the Soviet Union - no-one batted an eyelash.

Inside, Yuri helped shove another man's car into a repair slot. He would love to buy a new Lada, he said. The problem was less the money - R7,400 - than the waiting time.

The Lada and Moskvitch cars in a showroom on the outskirts of Moscow were not for sale. They could only be purchased through one's place of work and with the approval of the trade union. The more important one's job, the quicker one got delivery of the car. As a scientist, Yuri believed he had a good chance of getting a car in less than a year. Less privileged workers would have to wait "many years".

The Uzhny Port used car lot at the other end of Moscow is jammed with almost new and many used cars. As in many other areas of Soviet life, this is the alternative to getting a car the bureaucratic way. Owners of newly delivered cars resell them here at a premium of 60 per cent and more. Men from Soviet central Asia, who are reputed to be loaded with roubles from lucrative sales of produce, made several offers for the FT's office Volvo. They were resisted.

A young man in a used white Lada explained the routine while a man nearby in a black fedora hat furtively pocketed a wad of bills. Sellers of cars and prospective buyers bargained until they agreed a price. It was as easy as that. Our young man in the Lada was asking R6,000 for his 1979 car which cost R7,400 new. The black market price for a new Lada was R10,000, he said knowledgeably.

Across the road, in a huge state car parts building, it was back to the bureaucrats' dream of triple queuing and scarcity for throngs of motorists desperate to obtain parts. Thousands of manhours more were being lost from work.

One wondered: was Mr Gorbachev going to opt for a solution similar to the one on the used car lot outside, or would he stick to the one inside the service centre and the spare parts building?

Does he even have a choice? The Soviet Union is forced to sell cars cheaply in the West in order to earn scarce hard currency, and it also supplies Eastern Europe with cars. Not many are left over for the Soviet consumer.

European Diary

Moscow

FINANCIAL TIMES

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Dalai ignores invitation to return to Tibet

BY COLINA MACDOUGALL IN LONDON

THE DALAI LAMA, speaking in London yesterday, rejected implicitly an invitation to return to Tibet and said the basic problem for the country was not his return but the issue of human rights and the destruction of Tibetan culture by the Chinese.

The Dalai was responding to an invitation, proffered at the weekend, by the Panchen Lama, the second highest man in Tibet's religious hierarchy, who lives in Peking and is widely seen as the mouthpiece of the Chinese leadership.

Hitherto China has stipulated that if the Dalai Lama returns, he must stay out of Tibet, safely insulated from his Buddhist followers.

His visit to London comes when the Tibetan Government-in-exile is trying to draw attention to the plight of its homeland from which it fled in 1959.

Chinese destruction during the 1966-76 Cultural Revolution and Chinese immigration, enormously increased since then, are on the point of wiping out the unique Tibetan culture, it believes.

The exiled leader confirmed that he himself was in regular touch with more liberal Chinese leaders and that the "reason and justice" of the Tibetan cause was more "moral and practical" than one of violence.

But, "I have big arguments with younger people who are more militant," he added. "If we follow violence we can easily be crushed".

The Dalai was refering to anti-Chinese rioting in Lhasa last October and then in March which caused a number of deaths and a severe Chinese crackdown on Tibetans accused of separatism.

The Dalai said that given the improvement of the situation in China, and in Tibet in recent years, he was optimistic about the future. "China's whole concept of foreign and domestic policy is more humanised and positive, and this a hopeful sign."

The Dalai Lama referred to a five-point proposal he made last autumn when in the United States, which suggested that Tibet be made a demilitarised zone between China and India and that more autonomy and human rights should be practised within the territory. He said he was working on a "middle way" which could bring a solution.

The Dalai noted that of all the countries of the West, Britain was the most aware of Tibet's position. "But both Tibet's status and the attitude of the British Government has never been very clear," he said, referring to the historical ambiguity over Tibet's status and British anxiety not to offend Peking.

He said he understood British requests that he should not make political statements during his visit, adding: "The Tibet issue is very sensitive – the British Government wants close links with Peking so it's cautious, though sometimes it seems over-cautious".

Comparing Tibet's position with Hongkong, he said "It's a delicate question – we are concerned about the 6m there. But China is much changed, and that's a sign of hope."

China drops plan to merge ministries

CHINA yesterday announced a surprise reversal of its decision to restructure its various transport ministries within an overall shake-up of its vast and inefficient bureaucracy, Reuter reports from Peking.

State Councillor Song Ping told delegates to China's parliament, the national people's congress, that the ministry of railways, the ministry of communications and the state airline, GAAC, would not be merged as he had announced last week.

China's overburdened railways have been strongly criticised after four serious crashes this year which killed about 160 people. Minister of Railways, Ding Guangen, resigned after the third disaster.

Explaining the reversal, the official New China News Agency said the Government had taken note of delegates' views on the proposed reorganisation. No details were disclosed.

A Western diplomat said he was surprised at the change. But diplomats agreed that the reversal would boost the image of the national people's congress as a body with some influence rather than just a rubber stamp for Communist Party proposals.

Song was quoted as saying the Government's restructuring programme was transitional and would be perfected through experience.

Two Palestinians killed in Israeli border town raid

BY ANDREW WHITLEY IN JERUSALEM

TWO PALESTINIAN guerrillas were killed and four Israeli soldiers injured during a prolonged gun battle on Israel's northern border with Lebanon early yesterday.

The attempted cross-border incursion was the fourth in the past two months, and appears to have been designed to show support for the Palestinian uprising in the Israeli-occupied territories.

Responsibility has been claimed both by Mr Yasser Arafat's Fatah branch of the Palestine Liberation Organisation and by the smaller Palestine Liberation Front headed by Abu Abbas.

Yesterday's four-hour engagement took place across the electronic border fence itself.

Visiting the scene of the clash, near the village of Yuval in the Galilee panhandle, Mr Yitzhak Rabin, the Defence Minister, claimed that instructions had been sent "to the terror groups in south Lebanon to increase their activities, infiltrations and Katyusha rocket attacks."

The Defence Minister told reporters that all the terrorists were "eliminated" but it is believed that one member of the group may have been captured, and others possibly escaped.

"There is no doubt that since the violent disturbances in the territories began, the PLO in all its factions is trying very hard to try and prove (that) . . . the terror which failed to achieve any goal over the past 20 years should be accelerated," said Mr Rabin.

Moscow reluctant to help with Gulf arms embargo

BY OUR FOREIGN STAFF

A SENIOR Soviet official has given the clearest public indication yet of Moscow's extreme reluctance to co-operate with moves by Western members of the UN Security Council to obtain its agreement on an arms embargo against Iran as a means of hastening an end to the Gulf conflict.

In Abu Dhabi on Monday night Mr Georgy Tarazevich, Vice-President of the Presidium of the Supreme Soviet, said that "we are not against one," but added that mandatory sanctions "will not end the war, because Iran will manage to get weapons from the black market and even the allies of those canvassing for an embargo."

The general tenor of a somewhat embivalent exchange with the news agency Reuter seemed to be made clear by a further comment by him that "we have to work out something, but we do not want our tie with Iran to be harmed."

The US has obtained a specific commitment from China to support moves towards adopting a resolution on sanctions.

However, together with the UK and France, it acknowledges that efforts to get agreement on one from the full council have been gravely undermined by Iraq's initiation of the current five-week-long "war of the cities," its resumption of attacks on shipping in the Gulf and the use of chemical weapons last month in Kurdistan.

Iraq yesterday fired missiles at Tehran, Esfahan and Qom, according to the official Iraqi News Agency.

At least 15 civilians died and several others were injured when the missiles hit residential districts, Tehran said.

The attacks came hours after an Iranian missile raid on the Iraqi oil centre of Kirkuk. Iran continued to shell the Iraqi port city of Basra yesterday, killing several civilians, according to Iraq.

Tehran Radio also reported that Iranian forces had fired a dozen missiles at Umm Qasr near the Kuwaiti border, the site of Iraq's defunct naval base on the Gulf.

Under the draft resolution on which the UK was working, either of the belligerents not complying with resolution 598, adopted last July, would be affected by an arms embargo.

John Elliott reports from Amritsar on the poor prospects for ending years of civil strife

Sikh ambitions extend beyond the Punjab

GIANI JAGIR SINGH sits in flowing dark blue robes and a saffron turban on the floor of the Sikhs' famous Golden Temple in Amritsar, Northern India, a long sharpened sword across his knees and an AK-47 Chinese-designed assault rifle leaning against the wall behind him. On the floor is a map of India, excluding only the northern state of Jammu and Kashmir and the North-Eastern states around Assam.

"All this is Khalistan," he says, he says, sweeping his hand across the whole of the map. "Sikhs contributed 96 per cent of the dead in India's fight for independence from Britain, so we have a right to 96 per cent of the land. The fighting will continue till we annexe and occupy 96 per cent of India, and we will kill Rajiv and Ribeiro and all other police people," he adds referring to Mr Rajiv Gandhi, Indian prime minister, and Mr Julius Ribeiro, Punjab's tough police chief.

Khalistan is the name given to the independent country which extremist Sikhs want to create in their North Indian state of Punjab, where about 600 people have already been killed this year. The aim of a Punjab Khalistan was itself somewhat unrealistic. But last year, reflecting the historical Sikh kingdom of the early 1800s which stretched from Peshawar near Afghanistan to Jammu in Northern India, this was extended. Almost unbelievably, the ambition is now sub-continental.

The spectre of an unending terrorist and guerilla war to be waged by the most extreme Sikhs was put forward by Mr Jagir Singh in his role as spokesman in the Golden Temple for the Panthic Committee, a group of extremists who last year used a special conference of Sikhs to seize supreme political and spiritual power over the sect's activists.

This power is nominally exercised from the Golden Temple, now a heavily armed no-go area for security forces with the triangular Khalistan flag fluttering from roof tops. But the committee members are rarely seen there and are said to spend much of their time across the border in Pakistan.

The Golden Temple was cleared of extremists by the Indian army in June 1984 in a massive commando operation which led to the assassination later in the year of Mrs Indira Gandhi, then Prime Minister. Now the extremists have completely regained control. The government is ordering security forces not to try to remove them till Mr Gandhi's new peace initiative, announced five weeks ago, has been given two or three more weeks to prove itself.

Mr Jasbir Singh Rode, a militant high priest released last month from prison by Mr Gandhi along with over 40 other militants, is the man on whom the peace hopes rest. He is trying to unite extremists, terrorist organisations and Sikh political parties as the first step towards negotiating a possible settlement.

There are about 15 or 16 terrorist organisations, but he has five main ones to deal with. Three, which are the most committed to an independent Sikh state, are the Khalistan Commando Force, Bhindranwale Tiger Force (named after the top extremist leader killed in the 1984 temple battle) and the Gurjit faction of the All India Sikh Student's Federation.

The other two groups are believed to be more inclined towards an eventual compromise with the Indian government.

They are the Bhabar Khalsa, a highly disciplined fundamentalist group linked with a second faction of the Students Federation, and the *Khalistan Liberation* force. There are also various factions of the traditional Sikh Akali Dal political party which yesterday began some unification moves.

Apart from some form of Khalistan, the extremists' demands are far from clear. Almost all Sikhs, moderates as well as militants, believe that Mr Gandhi must apologise for the 1984 raid on the Golden Temple and start court action against senior members of his Congress I Party who allegedly incited riots in which thousands of Sikhs were killed after Mrs Gandhi's assassination.

Mr Gandhi himself, in a Financial Times interview last week, acknowledged that some "emotional" gesture would be made by the government, but would not say what this might be.

Mr Rode says that before any talks can start, the government must "establish its credibility" by starting the court actions, withdrawing all security forces from Punjab *apart from the state's* police, reinstating Sikhs expelled from the army after desertions, repealing special security "black laws," and releasing all Sikh activists from jail.

He then modifies the Khalistan demand by asking for *puran azadi* or complete freedom. He says this should include political freedom according to policies the Sikhs will draw up soon;

Few people in Punjab - or in the rest of India - give the peace initiative much chance. They believe that Mr Rode, a mild looking man who has little charisma or obvious leadership potential, will either be swamped by the violence or will have to stick to so many of his demands that the government will be unable to settle.

Some members of the extremist groups are accused by police chiefs of organising recent mass family assassinations to try to stop the peace moves. But the groups have condemned the mass killings and even allege that the government has organised a conspiracy against them because it wants to introduce a state of emergency.

Mr Jagir Singh has a hit list of "culprits" for killing.

"Yes we are talking about killing hundreds of thousands of people. Even tens of millions," he declares. The main hope in Amritsar is that such talk is a tactic aimed at ensuring that the most extreme Khalistan groups are included in any peace moves and are listened to seriously.

THE INDIAN government is introducing a special police force of armed civilians to guard 700 remote villages and hamlets in the two Punjab districts, Amritsar and Gurdaspur, which have been worst hit by Sikh terrorist attacks and recent mass killings, John Elliott reports.

In each village, seven local residents are being recruited and quickly trained to work alongside three established policemen. Police chiefs hope these "pickets" will hold terrorists at bay till the main security forces arrive. Paramilitary forces are being reinforced with over 20 companies of the Indo-Tibetan police force to guard banks, which terrorists raid to pay for arms, and other key installations.

Manila talks start on future of US bases

By Richard Gourlay in Manila

THE US and Philippines yesterday started a five-yearly review of an agreement covering two of the most important US military bases overseas, which will help shape regional superpower relations into the next century.

Anti-bases demonstrators marched through Manila, marking the start of talks which are expected to signal – if not finally decide – whether the bases stay in the Philippines after the current agreement expires in 1991 and on what terms.

Mr Nicholas Platt, the US Ambassador, stressed the strategic importance of the bases in countering the potential menace from what he called the expanding Soviet presence in the region.

He said that apart from providing a security umbrella, the bases allowed the Philippines to divert money from external defence to economic development.

Mr Raul Manglapus, the Philippine Foreign Secretary, said he would concentrate on looking after the Philippine national interest during the review.

Last week he said that the Philippines felt no external threat in the region. He called on his Asian neighbours to share the "political cost" of hosting the bases.

Fresh blow to embattled US attorney general

BY LIONEL BARBER IN WASHINGTON

THE White House has blocked efforts by Mr Edwin Meese, the embattled US attorney general, to appoint his own candidate to head the Justice Department's criminal division.

In a further setback for Mr Meese, his choice for the Department's second-ranking post of Deputy US Attorney General is reluctant to take on the job.

Mr Meese had hoped to announce this week two acceptable candidates as replacements for the two top Justice Department officials who resigned last week over Mr Meese's continuing legal difficulties.

Rebuilding the top echelon of the Justice Department was a vital part of Mr Meese's drive to restore his authority within the department and to fend off calls for his own resignation within the US Congress and the press.

But the White House, anxious to avoid last year's botched US Supreme Court nomination of Mr Douglas Ginsburg, has put the brakes on Mr Meese. Officials recall that it was Mr Meese's failure to check into Mr Ginsburg's pot-smoking past, which sank his nomination in less than a fortnight.

Mr Meese's choice to head the criminal division was Mr James Knapp, the current head of the department's tax division. But Mr Knapp has apparently withdrawn his name after unspecified legal problems came to light, according to reports in Washington.

Meese: blocked by the White House

Meanwhile Mr Arlin Adams, a Philadelphia lawyer who had been canvassed for the post of Deputy US Attorney General said he was "not optimistic" that he could take on the job because of a heavy workload at his law practice.

Mr Meese still faces a criminal inquiry by a special prosecutor into his conduct in office.

Jackson in seesaw battle with Dukakis

By Stewart Fleming, US Editor in Washington

Rev Jesse Jackson and Gov Michael Dukakis of Massachusetts were locked in a seesaw battle for victory in the Democratic party's caucuses in Colorado yesterday.

The closeness of the race suggested that Mr Jackson was showing no signs of losing the political momentum which has built up behind his candidacy since the Michigan caucuses of last month.

Early returns from Colorado, where 51 delegates to the Democratic party's convention are at stake showed that with just under half the state's precincts reporting, Mr Dukakis led Mr Jackson by 46 per cent to 40 per cent of the votes cast. Senator Albert Gore lagged well behind with only 4 per cent.

However, Mr Jackson's decision to inject himself into the Panama crisis by sending a letter to Panamanian strong man General Manuel Noriega offering to help facilitate his departure from the country has come under heavy fire from his rivals for the Democratic party's presidential nomination.

In statements indicative of a greater willingness to challenge Mr Jackson's policy positions, Mr Dukakis and Mr Gore of Tennessee both rounded on Mr Jackson saying that a private citizen should not get involved in such delicate diplomatic manoeuvres.

Mr Dukakis' criticism of Mr Jackson's Panama initiative represents an attempt to counter Mr Gore's accusation of failing to challenge Mr Jackson's positions. Earlier this week Mr Gore was quoted as describing Mr Dukakis's refusal to criticise Rev Jackson as "absurdly timid ... ridiculous ... patronising" and "a subtle form of racism."

The inconclusive Colorado results will be lost in the publicity which will surround the outcome of yesterday's voting in the much more important Wisconsin primary elections where as many as half the state's registered voters could participate. Polls suggest that Wisconsin will also be a two man race between Mr Dukakis and Mr Jackson.

Chicago's famous trading exchange celebrates its 140th birthday

Innovative spirit of the futures

CONTRARY to popular assumption, the Chicago Board of Trade did not begin its days with speculators yelling bids and offers for bountiful Midwest grain crops in a spontaneous outpouring of greed, Reuter reports from Chicago.

Instead, the CBT, now the world's biggest futures market, was founded in the spring of 1848 when a group of businessmen met to deal with a shortage of commodities threatening the swampy, frontier city of Chicago.

The founders could scarcely have imagined that the CBT would this year celebrate its 140th birthday as a computerised exchange where billions of dollars in agricultural and financial futures change hands each day.

Their goal was "to help develop Chicago as a city," said Owen Gregory, the curator of CBT archives for the University of Illinois at Chicago.

They had no intention to start formal trading of forward contracts or futures. The businessmen were "voluntary boosters," seeking goals like a decent harbour, bridges and railway links.

Between 1851 and 1853, the CBT operated a trading room where cash grain contracts were exchanged and registered to assure supplies of commodities. The Board took responsibility for the integrity of transactions, quotes and market reports by enforcing rules barring false price information.

Futures – commitments to buy or sell commodities at a later date with little money down – evolved from cash forward contracts.

The records show 1877 as the year of the first known official futures trades, in corn and oats. Whether futures developed earlier remains a mystery since Chicago's great fire in 1871 destroyed documents from the 1850s and 60s.

It was not all success and glory. In the first few years, the CBT sometimes attracted members by offering a free lunch of cheese and crackers.

Today, competition comes from off-market trading operations and foreign markets. Then, said Gregory, "all the action was on the streets and bridges. That's where the buyers and representatives of Eastern companies would buy cash grains. Then they'd charter the ships."

The longevity of the exchange demonstrates its value, exchange officials say.

Current CBT chairman, Karsten "Cash" Mahlmann, said: "To celebrate 140 years of doing business says a great deal about the economic utility of futures trading and the role CBT has played in developing and maintaining these markets.

"The innovative spirit that has driven our growth and diversification to projects such as night trading, financial futures, international products and formation of the Chicago Board Options Exchange (CBOE) continues,".

Despite the modernisation, tradition lives. Traders at the exchange shout from one side of an octagonal pit to the other in a din, wagering on price fluctuations in products ranging from corn to currencies, gold to stock price indexes.

Cash grains, once the lifeblood of the traders, continue to be swapped in the pits, but changes in transport patterns in recent years have moved that activity away from regional centres and such business is now a minor factor in CBT's overall volume.

In its place, major new "commodities" are traded – and traders speculate in the direction of interest rates and currencies, not crops.

"The changes I've seen defy anyone's imagination," said 20-year CBT member and former Chairman John F Gilmore Jr, Vice President of Goldman, Sachs and Co.

The cost of a CBT membership rose to a high of $550,000 in August 1987, but member/trader Earl M. Combs III, recalls that during the second world war, activity all but dried up and seats sold "at a bar across the street for 25 dollars," he said.

Contracts that failed to attract investor interest or trade "hedging" business quickly got snuffed out. In the restless world of commodities, exchanges trotted out fresh products or revised contracts to replace unpopular offerings.

With the deregulation of financial markets in the early 1970s, interest rates and foreign exchange rates began to change as much in minutes as they had in years. They were tailor-made for the commodity pits.

The stock market crash wrought more changes, cooling some of the enthusiasm for financial futures, particularly stock index futures, that had been driving the markets.

But a revival of inflation has brought traders back to the traditional commodities in hordes, as speculators sought the highest volatility they could find.

Massacres of Brazil Indians returns land to political agenda

BY IVO DAWNAY IN RIO DE JANEIRO

A COLD-BLOODED attack by white gunmen on a tribe of unarmed Amazon Indians has left at least four dead, more than 20 wounded, and once again forced the plight of Brazil's indigenous people back onto the political agenda.

The massacre, which federal police believe may have involved up to 14 murders, first came to light last week when reports trickled through from Benjamin Constant, a small town on the remote western border where Brazil meets Colombia and Peru.

According to an eye-witness, a gang of 20 heavily-armed white men opened fire without warning on a group of more than 120 Ticuna Indians preparing their midday meal in a clearing close to the Solimões river.

Mr Santos Clemente, a Ticuna who was slightly wounded in the attack, told reporters that firing continued for three hours as the tribe scattered for cover into the forest or down the river.

Federal police have since encountered four bodies and 25 wounded and are searching for 10 more Ticunas, some or all of whom are feared dead. Eighteen unnamed men have been charged with offenses arising from the crime, although, by midday yesterday, none had been detained.

According to a federal police official, the judicial order permitting preventative detention had not yet been received due to communications difficulties.

Yesterday, as the authorities were attempting to calm other Ticuna communities, representatives of the tribe were due to seek an audience with President Jose Sarney in the capital, Brasilia, to demand tough sentences for the gunmen.

But despite widespread outrage at the crime, organisations fighting for Indian rights are expressing scepticism that adequate steps will be taken to protect Brazil's 200,000 remaining Indians from similar atrocities.

"The situation is bad and getting worse," Mr Antonio Brandt of the Catholic Indian mission, Cimi, said yesterday. "We had 11 killings last year and already we have passed that in 1988."

Mr Brandt went on to claim that while the laws protecting Indians were good, they were seldom fully enforced. Furthermore, attacks on Indians were often treated casually. "In southern Bahia (a state), there have been seven murders of Papaxo Indians since 1982, yet no one has gone to jail," Mr Brandt added.

The authorities counter that policing the vast Brazilian hinterland is nigh on impossible, despite the efforts of Funai, the Government's Indian agency. Legislation to create Indian reserves is constantly delayed in the courts by the legal actions of land owners.

It was just such an attempt to enforce the reservation laws by evicting white sqatters from the Indian land near Benjamin Constant that provoked this latest atrocity, local people say.

The attack came on Monday last week, just 24 hours before Funai officials were scheduled to begin the evictions.

Mr Clemente, whose Indian name is Euratu, has denied claims that the Indians were threatening to attack local landowners.

Contras demand freedom of movement during talks

CONTRA leaders yesterday demanded freedom for their negotiators to move around Nicaragua during next week's peace talks, rejecting a Sandinista proposal limiting them to an airport hotel in Managua, AP reports from Miami.

"We will not go to Nicaragua to be confined," said Mr Pedro Joaquin Chamorro, Contra director. in the Miami headquarters of the Nicaraguan Resistance, as the rebels are formally called.

Mr Adolfo Calero, the director yesterday named as head of the negotiating team, said the Contras were demanding the right to meet freely with Nicaraguan opposition leaders, the media, the Roman Catholic Church and anti-draft groups and to publish their advertisements in both the government and opposition press.

Mr Chamorro said the Contras had just sent their counterproposal to the Sandinistas and were awaiting a reply.

The rebel leaders said they intend to arrive in Managua on April 12, with 60 people, including the five directors, members of the resistance assembly and political figures.

Their schedule includes six meetings with the Sandinistas before the delegation leaves April 15.

"The agenda is open, like Sapoa," said Mr Calero, saying the Contras will emphasise democratisation.

Mulroney reshuffles his cabinet

BY DAVID OWEN IN TORONTO

IN A cabinet reshuffle which is expected to be the last before the next general election, Mr Brian Mulroney, Canada's Prime Minister, has appointed Mr John Crosbie, a rotund and avuncular Newfoundlander as Minister for International Trade.

Mr Crosbie replaces Ms Patricia Carney, who presided over the portfolio during negotiation of the recently-signed bilateral trade deal with the US. Ms Carney becomes president of the Treasury Board, a comparatively low-key position which helps monitor government and public sector spending.

Explaining his decision last week, Mr Mulroney said he had made the switch because the focus of the free trade issue had shifted. "We are into the legislation and the selling of it across the country", he said. "The talks are over, the deal is done."

In another move, Mr Lucien Bouchard, Canadian ambassador to France and a former university classmate of the Prime Minister, has been appointed secretary of state.

Mr Bouchard, a supporter of Quebec independence, is expected to assume responsibility for shoring up Conservative support in Canada's only predominantly French-speaking province. He will immediately participate in the deliberations of the cabinet's powerful priorities planning committee.

Elsewhere, Ms Barbara McDougall has been promoted to Minister of Employment and Immigration. She previously held the privatisation portfolio, which now passes to Mr Donald Mazankowski, the deputy Prime Minister.

Ms McDougall replaces Mr Benoit Bouchard, who takes over Mr Crosbie's former position as Minister of Transport.

Costa Rica to get $65m standby loan from IMF

BY OUR CORRESPONDENT IN SAN JOSE

THE International Monetary Fund has officially approved a $65m standby agreement with Costa Rica, departing from its usual policy of first requiring a debt-rescheduling package with the commercial banks. The approval was made on April 4.

Costa Rica and the commercial banks have been talking on and off since June 1987, when Costa Rica began limiting debt service payments and proposed that the banks refinance all of the $1.5bn commercial debt on favourable terms.

It asked that the banks reschedule the debt, regardless of whether it had been rescheduled in the past, for 20 years with a 7-year grace period.

Costa Rica offered to pay an interest rate tailored to its ability to pay, as determined by a committee of World Bank, IMF and commercial bank analysts.

WORLD TRADE NEWS

Aerospatiale on verge of signing Canadair pact

BY PAUL BETTS IN PARIS

AEROSPATIALE, the French state-owned aerospace group, is on the verge of signing an industrial collaboration agreement with Canadair, controlled by the Bombardier Industrial group, to bring the Canadian aerospace company into the European Airbus programme.

Mr Jacques Douffiagues, the French transport minister, confirmed yesterday that an agreement in principle had been reached with the Canadian aerospace company.

He said the broad lines of the industrial collaboration agreement had been settled but that the practical details of the deal had still to be defined.

Aerospatiale also confirmed last night that it was on the point of completing its agreement with Canadair, although a spokesman said that nothing had as yet been signed.

Under the agreement, Canadair will make components worth US$81m for the new Airbus A-330 short-haul to medium-haul aircraft and its sister A-340 longer-haul aircraft now being developed by the European consortium which includes British Aerospace.

However, Mr Douffiagues claimed yesterday that the agreement with Canadair was not connected with the negotiations for a major Airbus order from Air Canada.

But aerospace industry sources indicated that the Canadair agreement would help Airbus clinch an order for 34 short-range to medium-range Airbus A-320 aircraft from the Canadian national airline company.

Although Canadair is expected to participate in the Airbus programme as a supplier rather than a shareholding partner, the agreement is nonetheless regarded as a breakthrough for the European consortium.

It will be the first Airbus industrial collaboration venture with a North American aerospace company at a time when the European consortium is being pressed by its member governments to improve its finances by collaborating with non-European partners.

Apart from helping to open the way to new orders, the Canadair deal also appears to be part of a growing trend among European aerospace manufacturers to seek collaboration with partners in weak currency countries.

This is to reduce costs in the highly competitive new airliner market.

US call for joint effort to curb offset deals

By Nancy Dunne in Washington

MULTILATERAL efforts to reduce the use of offset requirements in defence trade have been called for by Dr Paul Freedenberg, the US Commerce Under Secretary for Export Administration.

In testimony last week before a Senate Armed Services subcommittee, Dr Freedenberg opposed a measure which would require foreign buyers of US arms to reduce their offset demands or else offer reciprocal offset deals to American firms.

Instead, he said, the US should work with its allies to limit the use of offsets and at the same time seek multilateral arrangements to improve defence procurement policies within the Western alliance.

Offsets, required by the purchasing government as compensation for buying US military equipment, have been viewed with increasing concern in Congress and within the Administration. Most American companies' offset obligations are with Canada, Japan and Nato Countries, and their numbers are rising.

"We are concerned that offsets, particularly co-production, licensed production, subcontracting and technology transfers have negative effect on some subsectors of the US industrial base," Dr Freedenberg said.

In the short run, offsets create inefficiencies in defence procurement and raise the costs of weapons systems to US allies. In the long term, they weaken the competitive position of US companies vital to the national defence, he said.

Dr Fredenberg cited the cost of establishing facilities for co-production which must be absorbed even though such facilities may exist in the US.

Mr Dennis Biety, counsel for Pneumo Abex Corporation, a subsidiary of IC Industries, warned that offsets requirements are leading to the dissemination of technology and the development of subsidised foreign competitors.

These entities enjoyed a competitive advantage in the worldwide marketplace, and might compete on a subsidised basis for US defence contracts, he said.

Low wage costs and tax exemptions are attracting foreign companies, says Canute James

Cashing in on Caribbean free trade zones

NORTH AMERICAN and Asian companies seeking a competitive edge through reduced production costs are moving parts of their labour-intensive operations to Caribbean free trade zones.

The zones are established by governments and private businesses as designated areas outside national customs and tax territories, which offer total exemption on taxes and duties ranging from ten years to perpetuity. Investors are also offered rented factory shells built by the owners of the free zones.

The number and size of free zones has grown rapidly in the past five years, bringing jobs to areas of traditionally high unemployment, and some increase - although sometimes marginal - in foreign earnings for the host countries.

The competitive edge which the companies obtain is due in no small part to low wage rates following devaluations in several countries over the past five years.

"Free zones in the Caribbean are becoming increasingly attractive to investors because they offer opportunities for companies to stay competitive," explained Mr Manuel Tavares, president of Parque Industrial Itabo, a private tax free zone in the Dominican Republic.

The Dominican Republic's free zones are particularly favoured by foreign investors. The country has nine zones in operation, with six under construction and 14 planned. About 175 companies, employing 75,000 people, are located in the free zones, and the government expects employment to grow to 100,000 people by the end of this year.

"In 1981 almost half of the companies in our zone were involved in warehousing," reported Mr Peter King, chairman of the Kingston free zone. "Today, of the 19 companies, 10 are garment manufacturers, four are food processors, there is one large chemical project and a number of miscellaneous manufacturing enterprises." The Jamaican government has established a second zone in Montego Bay on the island's north coast. The island expects to have eight free zones - privately and publicly owned - by 1990.

Garment manufacturers, Asian and American, are also leading investors in the zones in the Dominican Republic, with other companies producing footwear and other leather products, electronics and tobacco.

Low wages are not the only factor which attracts investors in the free zones, according to Mr Raymond Murphy, assistant general counsel of the Baxter Travenol Corporation of the US. "Companies are always looking for ways to reduce costs," he said. "We have looked at the Caribbean, and we have established two plants in free zones in the Dominican Republic and one in Costa Rica."

"Labour costs are important in deciding to invest in free zones, and then chosing the free zone. But in Costa Rica labour costs are higher than in the Dominican Republic. There are other factors which have to be considered such as transportation rates, infrastructure and political stability."

The Overseas Private Investment Corporation, a US government agency which provides political risk insurance for foreign investors, considers Caribbean free zones relatively safe.

"We have never paid any claims on investments in free zones in the Caribbean," said Mr John Gurr, OPIC's Caribbean and Latin American manager. "There have been some problems with currency inconvertibility, and there is sometimes also the threat of expropriation, but free zone companies do not usually take deep root. If there are problems the companies can quickly reduce their inventory exposure, and the companies usually do not own the buildings."

Critics of the mushrooming of free zones - including trade unions - have questioned the real value of the development to the economies of the host countries. The free zone companies pay the host government and local companies for services and utilities, and provide jobs, particularly for women among whom unemployment in the region averages 75 per cent. But hard currency earnings vary, depending on the type of product and the incentives given the investors.

"In 1982 the value of exports from the Kingston free zone was $14.3m," reported Mr King. "By 1985 exports had risen to $63.3m, and in 1986 reached $72.1m." The value of exports last year is estimated at $100m, but net earnings for the Jamaican economy are roughly 20 per cent of the value of exports.

Investors say privately that they prefer operating in free zones which exclude the region's traditionally militant trade unions. Union leaders have suggested that working conditions amounted to no more than "sweat shops" which thrive on cheap labour.

"While we do offer generous incentives to attract companies to our free zones, the employment of Jamaican citizens in the free zones is subject to all prevailing labour legislation as regards minimum wages and other conditions of employment," said Mr King. A recent bout of labour unrest in the Kingston free zone has led the Jamaican government to set up a commission of inquiry into working conditions.

But investors also face problems of a more technical nature. "When we started our first plant in the Dominican Republic, we had problems with transportation," reported Mr Murphy. "We set up the plant and employed workers, but they could not get to and from work, so we had to get into the transportation business at an added cost."

Because goods going across a fence from the free zone to the host country represent movement into a national customs territory, linkages with local industry also create some problems. Mr Murphy reported the case of delays in getting work on metal sheeting done by a local fabricator who had to spend time working through a bureaucratic maze to obtain import and export permits.

"The eventual integration of the free zones, with their special incentives and tax laws, into national economies also promises a potential problem, argues Mr Tavares. "The initial purpose of a free zone is to create jobs and raise the standard of living. At some point they will have to be competitive in labour rates. Then the question will be how to integrate free zone companies into the local economy. Free zones represent a stage of transition in economic development."

Japan asks US to oppose Toshiba trade sanctions

JAPAN says that Washington should oppose a bill in Congress that would punish Toshiba for its subsidiary's illegal sale of sensitive machines to the Soviet Union, AP reports from Tokyo.

Mr Hajime Tamura, Minister of International Trade and Industry, handed a letter to US Ambassador Mike Mansfield for the administration of President Ronald Reagan asking for the elimination of a sanction clause on Toshiba in the pending trade bill, said an official.

The official said Mr Tamura expressed concern that the American sanction would run counter to a basic principle of the Co-ordinating Committee for Exports to Communist nations, and that it would hurt that group's unity.

Under the rules of Cocom, the Western body that monitors sales of strategic items to communist nations, effective enforcement of export controls is the responsibility of each member nation.

The official quoted Mr Mansfield as saying the US government opposes using a trade bill to punish a parent company of a business that violates the agreement.

Toshiba Machine, a subsidiary of Toshiba Corporation, Japan's second largest electronic maker, is accused of selling sophisticated machines to the Soviets illegally between 1982 and 1984. US officials have said the machines permitted Moscow to turn out propellers that could make submarines quieter and harder to detect.

Venezuelan president to boost Japan ties

BY JOSEPH MANN IN CARACAS

VENEZUELA'S PRESIDENT, Dr Jaime Lusinchi, began a four-day official visit to Japan yesterday that is designed to underscore increasing trade ties between the two nations.

Although the US remains Venezuela's chief trading partner, Venezuela has been actively seeking new markets for its exports and new sources of foreign capital in the light of rising US protectionism and the reluctance of American banks to finance new Venezuelan projects.

Trade relations with Japan have increased over the past two years, following a three-year slump, and the Japanese Export-Import Bank has become an important new source of financing for Venezuela.

The Venezuelan president and an entourage of economic ministers plan to seek Japanese financial support for construction of a $640m railway line, as well as four other large projects in steel, hydro-electric power, aluminium, mining (including gold) and a paper mill.

During the visit, officials will finalise a $108m loan from Japan's Export-Import Bank to Bauxiven, a government-owned bauxite mine. Last year, the Export-Import Bank approved loans of about $360m for a new hydroelectric project in Venezuela.

It is also reported in Caracas that a Japanese company would help Venezuela to market a new petroleum product – called Orimulsion – in the Far East. Orimulsion, a mixture of extra heavy petroleum, water and chemicals, is being sold by Venezuela as a low-cost alternative to coal and fuel oil for steam generating plants.

The Tyuba electric power plant in Japan is scheduled to begin using Orimulsion this year and Venezuela hopes to market the product worldwide.

Direct investment from Japan has risen sharply over the last year. Kobe Steel will invest around $115m to refurbish and run an iron ore briquette plant for export.

The same company has offered to build a $1bn steel facility in Venezuela, also geared for export markets.

Mitsui Petrochemicals is a partner in a 70,000 metric tonne per year polypropylene plant and a group of Japanese industrial firms are partners in Venalum, Venezuela's largest aluminium smelter.

Japanese companies are expected to participate in additional aluminium projects in Venezuela, since the South American country has the world's lowest fixed production costs for smelting aluminium.

Venezuela last year imported Japanese goods worth $505.3m and its exports to Japan were worth $355.4m, mostly aluminium and petroleum products. Venezuela's total imports last year were $9.2bn, while exports were $10.4bn.

Dr Lusinchi, who left Venezuela on Sunday, is scheduled to spend four days in Japan, then is to make an official visit to Indonesia, a fellow member of the Organisation of Petroleum Exporting Countries.

US 'hopeful' on S Korean trade

THE US is hopeful that trade problems between the US and South Korea "will be resolved in the near future," Reuter reports from Seoul.

"There has been progress in some areas in the trade talks which have been held in a very friendly atmosphere," Mr Gaston Sigur, the US Assistant Secretary of State, said yesterday.

He was speaking before his departure for Tokyo after four days of talks with President Roh Tae-woo and other high-ranking South Korean officials.

The US has been negotiating with South Korea for months to lift an import ban on beef and to open its market wider to American cigarettes and other products and services. The US ran a trade deficit of nearly $10bn with South Korea last year.

Virgin air service to Los Angeles postponed

By Michael Donne

VIRGIN Atlantic Airways has postponed plans to start scheduled air services this spring between Gatwick, London's second airport, and Los Angeles.

The airline will wait until the Civil Aviation Authority decides, after public hearings this summer, whether British Airways will be permitted to retain the licence for Gatwick-Los Angeles services originally held by British Caledonian Airways. BA at present serves Los Angeles from Heathrow.

BA inherited the Gatwick-Los Angeles licence when it took over BCal earlier this year, and is continuing those flights until the CAA has decided it must stop.

Mr Richard Branson, who runs Virgin, says that because of this, "we do not think the market is big enough for a doubling of the number of flights to Los Angeles from Gatwick.

"We have, therefore, asked the CAA to delete these routes from the BCal licence on the grounds that BA already has a monopoly (on the Los Angeles route) out of Heathrow."

London estate agency reveals post crash loss

BY CLARE PEARSON

STICKLEY & Kent, a leading estate agency based in North London, yesterday revealed that it had fallen into losses in the final quarter of last year after the stock market crash.

Mr Norman Mazure, chairman of Shield, the Unlisted Securities Market quoted property developer and estate agency which owns Stickley & Kent, said the losses meant the company would not now meet the profit forecast of £1m given for the year ended in June when Shield acquired the agency last summer.

Yesterday's announcement marks the first time an estate agent has admitted to making losses as a result of the collapse in stock market prices last October.

Mr Mazure said that although house prices had held up, turnover in houses worth £150,000 or above had suffered a severe downturn.

Turnover had improved in the first quarter of this year, but was still affected by uncertainty among house owners about the direction of the property market, he said.

Shield has been forced to carry out an extensive review of Stickley's operations which led to the loss of 10 jobs. The group is now refocusing its operations to the areas around the M25 orbital motorway embracing London and away from the market in luxury inner-London homes.

The agency is opening an office in Ruislip, north-west London, to add to its existing outlets in six areas including Kensington, Islington, and Hampstead, all in central north London.

Shield itself intends to turn its attention more closely to the outer London area.

The company also said it had broken off talks begun at the start of March with a number of potential bidders March. Shield said, however, that prices which had been talked about were higher than the current share price they were not considered satisfactory.

IN BRIEF

Seamen and P&O seek new round of talks

The National Union of Seamen was yesterday believed to be drawing up fresh proposals towards resolving a two-month-old dispute by more than 2,000 Dover-based seamen employed by P&O European Ferries.

The initiative came after informal contacts between the two sides and Acas, the conciliation service, appeared to indicate that management and union officials might modify their positions to reach a peace settlement.

Top management officials of P&O European Ferries yesterday met Sir Jeffrey Sterling, P&O chairman. It is understood that that talks focused on a revised pay and conditions package drawn up by Acas last week and rejected by Dover seamen on Sunday. The company indicated last night it still believed a settlement based on the proposals was "realistic.".

Channel Island moves

The Bristol and West Building Society is following the Abbey National and the Halifax by moving into the Channel Islands.

Subject to the approval of its members on April 19, the society is to take a controlling interest in two local estate agents - one in Jersey and the other in Guernsey - and plans to offer mortgages to Island residents.

Harrisons purchase

Harrisons and Crosfield, the chemicals, building supplies, feedstuffs manufacturer and overseas trader, agreed to buy Woodburys, a US timber and building supplies group for $9m (£4.77m). The proposed aquisition is the first part of the company's plan to develop its operations in the US. Woodburys has nine outlets in the states of New York and Vermont, supported by a bulk distribution depot in Glens Falls, New York State.

Mr John Pryor

Mr John Pryor, manager of the FT Insurance Information Group, has died at the age of 63.

He joined the Financial Times in 1960 to work for the syndication department. He moved to Financial Times Business Information, founding its single most succesful product, World Insurance Report, 14 years ago.

Richard Waters on a controversial accounting issue

Big banks divided on provision for loans to problem countries

BRITAIN'S big clearing banks diverged in their use of general provisions to meet expected losses from problem country loans last year, opening a debate on one of the most controversial accounting issues of recent years.

Full details of the provisions became clear with the publication over the past two weeks of the annual reports of the Big Four clearers.

The total amount set aside by the banks against losses on problem country loans was £200m more than was generally reported last month when they announced their annual figures for the year.

This was achieved by switching from general to specific provisions, reducing the charge to the banks' profit and loss accounts.

Barclays was the only bank to continue to increase its general reserves in line with its assets. This contrasts strongly with National Westminster, which effectively released general provisions back into profits.

General provisions are set aside against unforeseen future losses "which are known from experience to be present in any portfolio of bank advances," to quote NatWest's typical accounting policy. Specific ones are matched against particular loans. Only specific provisions are tax-deductible, and only general ones count towards a bank's capital for supervisory purposes.

In the past, banks have been criticised for using their general reserves to smooth reported profits from one year to the next.

Three of the four banks ended the year with lower general provisions than they started it. This means that previous estimates of the likely losses in their portfolios were overstated, that they have changed their policy on providing against losses, or that they have used general provisions to reduce the strain on the charge against profits.

According to NatWest, the sharp 30 per cent decrease in its general reserve reflected greater accuracy in assessing specific provisions. The bank said it was carrying out a monthly exercise to identify possible losses on specific loans, and that this would enable it to run down general provisions further.

Midland said it had changed its policy to provide specifically against sovereign loans, while at the same time maintaining and increasing its general reserves. Barclays, on the other hand, made a virtue of actually increasing its general provisions.

Peugeot goes on double shift to boost UK output

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

PEUGEOT, the French vehicle maker, last night began double-shift working at its UK assembly plant at Ryton, Coventry for the first time in 12 years.

Peugeot is increasing output to 2,200 cars a week from a recent level of 1,100 cars a week on single-shift working and is aiming to reach full capacity at Ryton of about 2,500 cars a week by mid-1988. Any increase of more than 2,500 cars a week would require major new capital investment.

The fortunes of Peugeot Talbot, the French group's UK subsidiary, have been transformed in the past couple of years through the introduction of new models coupled with substantial improvements in productivity and quality standards.

After losing money heavily for most of the 1980s - the company had cumulative losses of £300m from 1979 to 1982 - Peugeot Talbot is expected to announce later this month a profit after interest for 1987 in excess of £10m on a turnover of more than £700m.

This will be the biggest profit the company has ever made, and follows many years of decline in which the Ryton plant, formerly part of the Rootes group, was sold first to Chrysler in the late 1960s, and then to Peugeot of France at the end of 1978, when the US group was forced to pull out of Europe.

Mr Geoffrey Whalen, Peugeot Talbot managing director, said he expected production at the Ryton plant to virtually double to about 80,000 cars this year from 45,000 in 1987. UK output was planned to exceed 100,000 cars in 1989.

Since late last year Peugeot has been assembling two model ranges at Ryton, the 309, launched in the UK in early 1986, and the 405, which was launched in the UK in January. This year the group expects to produce about 30,000 405s for the UK market, 20,000 for export to West Germany, the Netherlands and Belgium and 30,000 309s for the UK market.

Depending on order books, the balance could shift more heavily towards the 405 in the UK as Peugeot has some spare capacity for exporting the 309 to the UK from France.

Peugeot Talbot imports engines, transmissions and body panels from France - the company lost its UK body shop when the Linwood plant in Scotland was closed in 1981 - but is hopeful of reaching about 65 per cent local content for the 405 model by the summer. It is currently running at about 60 per cent, while the 309 is at 65 per cent.

Peugeot's UK sales have increased rapidly due to the success of new models led by the 205 supermini, launched in the UK in 1984. In the past five years it has increased its share of the UK car market from 2 per cent to 5 per cent and is aiming to achieve a market share of between 6 per cent and 6.5 per cent in 1988.

Last year was the first time Peugeot sold more than 100,000 cars in a foreign market with UK sales last year of 101,264 units and a market share of 5.03 per cent.

Urban regeneration grants win praise for overall success

BY HAZEL DUFFY

THE GOVERNMENT's urban development grant (UDG) has been an overall success in helping to improve run-down inner-city areas, according to an independent report by Aston University in Birmingham.

The UDG, which has been scrapped in favour of new City Grants, was based on the Urban Development Action Grant used in the US to boost inner-city development. It was introduced by the Government in 1982.

Central government paid 75 per cent of the grant and local government the remainder.

The grant was criticised in some government quarters for the required involvement with local authorities and the belief that central government won too little praise for the scheme. The City Grant will be paid directly to developers by central government.

Some developers criticised the grant, particularly where local authorities were slow in submitting projects to central government.

Despite these reservations, the Aston team found that the grant proved attractive to many local or regionally based developers/investors and developers/traders, while being far less attractive to the nationally-based financial institutions.

The report, commissioned by the Department of the Environment, found that the grant has had considerable success particularly in improving the environment, stimulating private investment in housing in the inner cities, and providing jobs for people living in or near such areas.

Between 1982 and June 1986, the programme generated additional investment in the ratio of about 4:1. Commercial schemes contributed most of the private sector investment – £195m – followed by industrial (£101m) and housing (£58m). In several inner-city areas, projects which have been assisted by UDG have been the only source of new, private-sector housing provision.

Farm price policy condemned

BY MAX WILKINSON, RESOURCES EDITOR

DR DAVID Clark, the opposition Labour Party spokesman for Agriculture, yesterday condemned the Government's efforts to obtain a devaluation of the "green pound" which he said would raise food prices for housewives.

He said the Government was now campaigning for farm price increases in Britain just eight weeks after claiming a victory in persuading its European Community partners to agree to a programme of price cuts, at the end of the recent farm price talks.

Whitehall officials confirmed yesterday that Britain would be asking for a 7.5 per cent devaluation of the green pound for pig meat – the special exchange rate which governs subsidies paid to farmers. Measured reductions are to be sought in the rate for other agricultural produce.

Mr John McGregor, the Agriculture Minister sees these devaluations as a step towards the longer-term goal of eliminating the special agricultural exchange rates in the Community.

However, Dr Clark said the effect would be to raise prices paid to farmers and raise food prices and it represented the true cost of the Prime Minister's recent "cave in" in Brussels.

He said: "It is ludicrous to agree to limit over-production by penalties and then to put up the basic price support."

The UK has been pressing for green pound devaluations from the start of this year's farm price negotiations. The precise rates - except for pigmeat - for which the UK will argue will be decided in the light of exchange rates closer to the next meeting of Agriculture Ministers in Luxembourg.

Officials point out that the gap between the green pound and the normal sterling exchange rate has been narrowing recently. For beef, the difference was 8.4 per cent on March 7, but had fallen to 3.6 per cent by this week. For pigmeat the gap was 10.9 per cent on March 7 compared with 7.5 per cent now.

Buoyant activity predicted by FT average of forecasts

BY RALPH ATKINS

BUOYANT ACTIVITY but a decelerating rate of growth in 1988 and 1989 are predicted for the British economy in an average of economic forecasts compiled by the Financial Times and published today.

Economic growth is expected to be slower this year than in 1987 but it will remain strong. A further deceleration is expected in 1989. The trade position will worsen with the balance on the current account rising to a record £6.1bn in 1989.

The FT survey shows recent exchange rate and interest rate movements may have clouded the vision of forecasting groups. There are wide variations in forecasts for those variables – which have knock-on effects for other indicators.

Estimates for three-month interbank interest rates vary by 3 percentage points in 1989. Forecasts for the deficit next year on the balance of payments current account vary between about £6bn and £10bn.

The division reflects uncertainty among economists about the consequences of a rapid rate of economic expansion. While some forecasting groups fear excessive consumer spending will suck in overseas goods and push up inflation, others are more confident that British industry will be able to respond adequately to increased demand.

The worries of some forecasters about "overheating" have increased since last month's Budget. Several City of London economists have revised upwards their projections for consumer spending and imports in order to take account of the extra demand resulting from the larger than expected tax giveaway.

The variation between forecasting groups is shown in forecasts for the growth of export and import volumes. According to some forecasts, export volumes may grow by 2 per cent this year, or by almost 5 per cent.

The overall FT average shows exports rising by 3.3 per cent this year and by 2.5 per cent in 1989. Imports are predicted to rise by 6.9 per cent and 4.3 per cent respectively.

Similarly, there is disagreement about the path unemployment will take. The forecasts predict both falls and rises.

The FT average suggests unemployment will remain constant at the present level of about 2.5m.

The survey sample is split evenly between City economists and groups based in universities and other research centres.

The overall results of the survey, which is intended to be published at regular intervals, should be viewed with some caution. The FT average is a simple unweighted average that takes no account of differences in measurement of the different variables.

Nor has any account been taken of different assumptions underlying economic models used by forecasting groups. Some forecasts were compiled before the Budget, introducing a possible bias.

Future surveys will illustrate how economists' expectations vary as circumstances change, and how accurate the survey is as a forecaster. The wide variations between groups' predictions mean, however, that the FT average cannot pretend to represent a consensus.

After all, as the saying goes, if you placed all economists end to end they would never reach a conclusion.

UK NEWS

RENEWED FEARS OF 'OVERHEATING'

Credit continues to rise as debt figure hits high

BY RALPH ATKINS

BRITISH consumers' appetite for credit continued unabated in February as outstanding debt rose to another record level, according to official figures published yesterday.

The Department of Trade and Industry said that outstanding consumer credit rose a seasonally-adjusted £308m to £23.6bn in February. That was about the same rate of increase as in January.

The figures cover credit agreements reached with finance houses, other specialist credit providers, building societies, retailers and on bank credit cards.

They exclude personal bank loans and lending by insurance companies, where in December the amount outstanding was £13.5bn.

New credit advanced to consumers was a record £3.4bn in February compared with £2.9bn in January. In the three months to February, the amount advanced was 2 per cent higher than in the previous three months.

Department of Trade officials believe the rate of increase in the amount outstanding may be slowing. In the three months to February the total increased by £855m. This compared with £1bn in the previous three months and was lower than any quarter in 1987.

However, the continued growth will increase the worries of some independent economists that the economy is growing too fast.

There are fears that strong consumer spending, fuelled by a rapid expansion in consumer credit, will suck in imports and increase inflation.

In separate figures published yesterday the department has revised upwards estimates for retail sales volumes in February. The figures suggest recent buoyant high street sales growth is continuing with no signs of a slowdown.

The final seasonally-adjusted index of retail sales in February stood at 135.3 (1980=100) — an increase of 0.3 per cent on January.

In the three months to February, sales were 1.3 per cent higher than the previous three months and almost 7 per cent higher than the same period a year before.

February's credit figures show the amount outstanding on bank credit cards rose £90m to £5.64bn during the month compared with a fall of £9m in January.

Agreements with retailers decreased slightly as consumers repaid debt under deals made in the autumn.

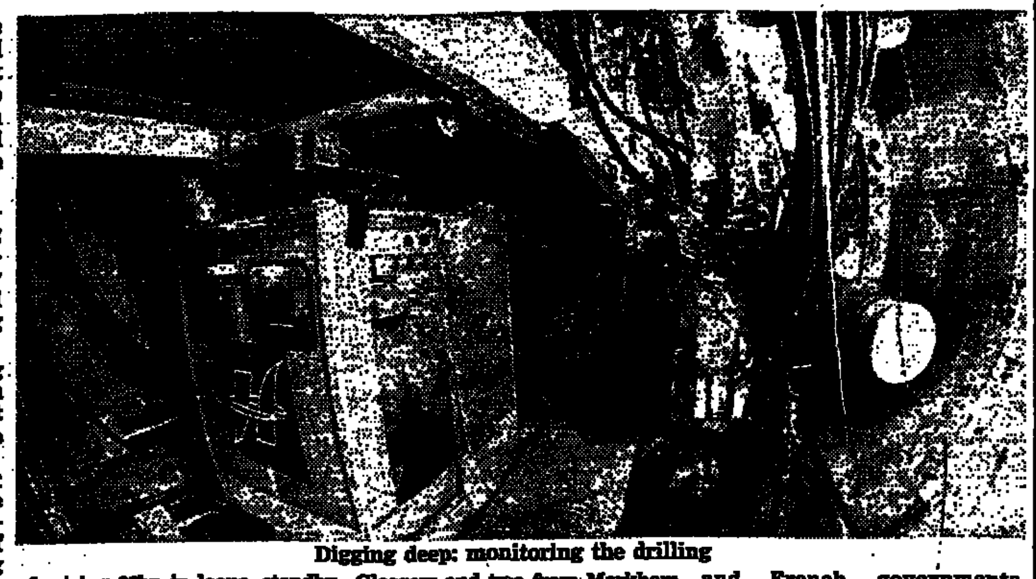
● The Mortgage Corporation, which arranges loans for house purchases, is to accept unit-linked endowment policies with managed funds when assigning mortage loans, writes David Barchard.

The change brings the company into line with its rivals. The large building societies already accept unit-linked endowment policies for their mortgages.

New and existing unit-linked policies will be accepted, but the policy must have a minimum 10-year term.

Eurotunnel meters its progress

BY ANDREW TAYLOR



Digging deep: monitoring the drilling

THE MACHINES digging the Channel tunnel have progressed 1,200 metres which leaves about another 48km to go, according to the latest progress report from Eurotunnel, the privately owned Anglo-French group building the tunnel.

Eurotunnel, which last November completed its funding arrangements with a £770m international share issue, yesterday published preliminary unaudited results for the year ending December 31 1987.

At this stage progress is being measured in metres rather than pounds and pence with the first fare-paying passengers not due to use the tunnel until May 1993.

Three tunnels are proposed: two will carry traffic and there will also be a central service tunnel. So far about 1,200 metres of the service tunnel have been dug on the British side. This includes 400 metres of an earlier Channel Tunnel attempt, abandoned by the Labour Government in 1975.

The start of tunnelling on the French side, according to Eurotunnel, has been delayed by the failure of a French company commissioned to supply some of the five tunnel boring machines needed for the French operations.

The machines have since been re-ordered from Japanese and US suppliers.

Figures published yesterday by Eurotunnel show that total costs since the company was incorporated in 1986 had risen to £444m by the end of last year. This included £134m to meet the cost of raising £6bn in loans, standby credits and equity.

According to Eurotunnel contracts worth around £350m had been placed with suppliers and sub-contractors by the beginning of last month. Approaching 90 per cent of orders on the British side had been placed with British companies and between 60 and 70 per cent with French companies on the French side.

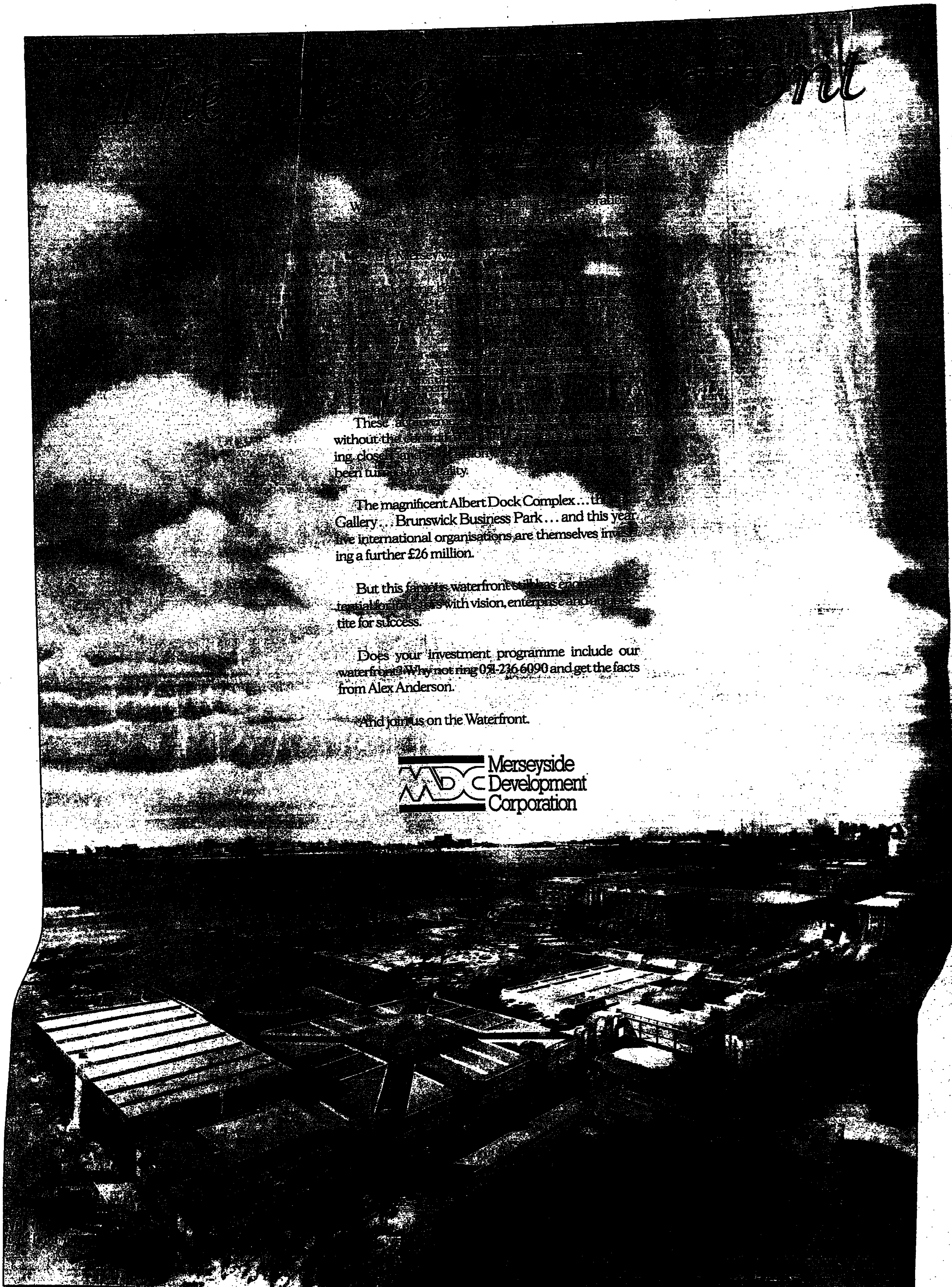
The proportion of orders placed with French companies would have been higher but for the failure of the French tunnel-boring machine supplier. Six tunnel-boring machines worth around £35m have been ordered for the UK side: four from James Howden in Glasgow and two from Markham & Co, a British subsidiary of Robbins, the US engineering group.

Other large orders include a £9m aggregates contract for Foster Yeoman in Scotland, a £3.3m order for construction locomotives placed with Hunslet of Leeds and a £2.5m order for spoil-disposal conveyers placed with Anderson Strathclyde of Glasgow.

According to Eurotunnel, more than 14,500 separate orders have so far been placed by the tunnel's contractors. The preliminary accounts show the group spent £6m last year acquiring land for the project under the terms of the concession granted by the British and French governments. Another £57m was spent on corporate costs including wages and office overheads.

Eurotunnel says, all costs and revenues have been capitalised either by transfer from the profit and loss account or by being charged directly to fixed assets leaving no balance to be carried forward against future profits.

Total equity raised by Eurotunnel by the end of last year was £1.023bn of which about £678m was held in cash and investments at the year end. The directors do not intend to recommend a dividend during construction. The figures serve to show how much has still to be done.



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and get the facts
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Merseyside
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Labour's deputy leader garners union backing

BY JOHN HUNT

SUPPORTERS of Mr Roy Hattersley in his bid to retain the deputy leadership of the Labour Party last night declared that their campaign was "looking healthy and looking good" after declarations of support from trades union leaders over the Easter weekend.

They were particularly happy at the number of unions which will have a ballot of their members or take soundings of opinion among the rank and file.

They believe that this will favour Mr Hattersley, the present deputy leader, against his two contenders, Mr John Prescott, the party's energy spokesman, and Mr Eric Heffer, the leftwing MP.

It is conceded in Mr Hattersley's camp that his contest against two contenders will be much tougher than the leadership battle that Mr Neil Kinnock faces against Mr Tony Benn, the leftwing MP.

Those unions which are expected to ballot include the Amalgamated Union of Engineering Workers, the National Union of General, Municipal, Boilermakers and Allied Trade Unions, the National Union of Public Employees and the Union of Communication Workers.

The unions carry 40 per cent of the vote in the electoral college, the constituency parties 30 per cent and the parliamentary party 30 per cent. The Transport and General Workers, the union with the most votes in that group, has not yet decided its position, although Mr Ron Todd, its general secretary, has pledged *his support for the Kinnock/Hattersley ticket.*

The Hattersley analysis is that last week's entry of Mr Prescott in the race gave the campaign "more bite" and gained the new contender considerable publicity. But the Hattersley workers feel the initiative is now back with them.

However, this is denied by Mr Prescott, who has so far publicly received the backing of his own union, the National Union of Seamen. He said last night that he was quite happy for the unions to ballot their members and believed that this would favour him as much as Mr Hattersley.

"It will be a six month haul," he said. "I am happy at the way our case is being presented and consider we should get a very comfortable result."

Meanwhile, Mr Benn will make his most hard-hitting speech of the campaign tonight when he is expected to attack what he terms the "authoritarian" style of the Labour leadership.

Eric Short looks at the Government's Do-It-Yourself approach to pension schemes

Retirement in a brave new world

FROM TODAY employees will no longer be required to belong to their employer's company pension scheme as a condition of employment. Membership will be voluntary.

This is one of a number of radical changes in the Government's brave new pensions world brought about by the 1986 Social Security Act which comes into effect today. The Government has two underlying objectives behind these changes:

● The well-publicised policy of giving people wider choice in their pension arrangements.

● *To reduce the role of the state* in pension provision.

The second objective is achieved by sharply reducing the benefits provided by the state earnings-related pension scheme (Serps).

The Government had intended to phase out Serps. However, following widespread opposition, it confined itself to reforming the benefits, presumably with the intention that, after other changes, so few employees would remain in Serps that it could be wound up later. All employees qualify for the basic state pension scheme.

The ending of compulsory membership of company schemes means that employees have the final decision in their pension arrangements above the basic state pension and their wider choice offers three options:

● Serps.

● Company pension scheme.

● Personal arrangements.

An employee who does not exercise a choice is, by default, in Serps. However, these choices are not mutually exclusive. An employee can combine all three choices if desired.

The act introduces the new personal pension, which employees can use to make their own pension arrangements outside *the company scheme and outside* of or on top of Serps.

Indeed, almost all attention on the changes has been focused on the introduction of personal pensions for employees, though this is just one important aspect.

However, because of the delay in the implementation of the Financial Services Act, the new style personal pensions will not be available until July 1. But employees will be able to backdate contributions to the beginning of the tax year.

The danger facing the Government in achieving its objective of reducing state involvement is that employees will be in Serps simply through inertia.

So, a "stick-and-carrot" approach has been adopted by the Government – the stick of reduced Serps benefits and the carrot of a 2 per cent incentive payment until 1993 for contracting-out of Serps, having not previously been in a contracted-out scheme for two or more years.

Employees opting to remain in the company pension scheme are not debarred from making some extra pension arrangements on a personalised basis through free-standing additional voluntary contribution schemes, the forerunner of the changes having been available since last October.

Employers can now contract-out of Serps on a money purchase basis, in addition to the previous salary-related basis. The Government hoped this would encourage the establishment of industry-wide schemes. While employees have the right to opt out of a company scheme, they have no right to re-entry. Neither have employers any obligation to contribute to an employee's personal pension other than the legal minimum required to contract-out of Serps.

These factors are left entirely to the discretion of employers. All indications are that employers generally are taking a hard line towards employees who intend to leave the pension scheme, with the full support of the trade unions which are opposed to personal pensions.

Surveys by the Confederation of British Industry show that most employers will not contribute towards an employee's personal pension. (The Government, as an employer, has stated that it will not contribute to a civil servant's personal pension.)

In addition, employees who opt out will get no, or reduced, death and disability benefits. Re-entry to the company scheme will be strictly limited.

However, most employers are *undertaking publicity campaigns* to explain the benefits of the company scheme to employees. Trade unions are issuing leaflets that boost company pension schemes and condemn personal pensions out of hand.

The new environment gave employers the opportunity to review their pension scheme arrangements to provide flexibility to meet the needs during the 1990s of a more mobile workforce wanting greater involvement in their pension arrangements. However, few employers appear to have made more than minimal changes to their current schemes, sticking to the rigid final salary basis.

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MANAGEMENT

Fund management

Baillie Gifford gives stability a hard sell

James Buxton on the Edinburgh company's revitalised strategy

THE WEEK last October which began with Black Monday happened to be rather a good one for Baillie Gifford, one of Edinburgh's leading fund management companies. On Black Monday itself it made a presentation of its investment management skills to a major (unnamed) pension fund client.

Two days later the presentation team members were drinking champagne to celebrate their victory in the contest, gaining the management of a fund then worth £250m (though the crash took it down to £175m) – Baillie Gifford's biggest pension fund client so far.

To the outside world Baillie Gifford presents an extremely conservative impression. It is housed in a Georgian building just off Charlotte Square in Edinburgh and the front door still bears the brass plate of the firm of solicitors (founded in 1908) which later gave birth to the investment management house. As recently as 1982 four-fifths of the £501m worth of funds it had under management were in the orginal staple of Scottish fund managers, investment trusts.

Pension money rose elevenfold

Since then, however, the amount of pension fund money under management has risen elevenfold from £100m to £1.12bn, now accounting for 55 per cent of Baillie Gifford's total funds under management of £2.03bn – with investment trusts now accounting for 40 per cent and with exempt funds and unit trusts making up the remainder. Although the long bull market accounts for part of the increase in the value of pension funds under management, the number of individual funds under management has grown from 14 to 41 since 1982 and the number of staff has increased from 43 to 101.

Yet compared with the upheavals that have taken place in financial institutions in the City of London in the past three years, that may not seem a very dramatic change. Furthermore, the core staff at Baillie Gifford has remained extremely stable, with the partners and senior executives – most recruited from university and trained in-house – having been with the company for an average of 14 years.

The fundamental change, according to Gavin Gemmell, the senior partner responsible for pension funds who has been with Baillie Gifford for 24 years, is that the company has changed its attitude to itself. "In the past we didn't perceive ourselves as managing a business. We considered ourselves more like a firm of solicitors managing our clients' affairs without much focus on running those of our own."

The change in the way the business was run came in the early 1980s. It was then that the company realised that it had to win more business in the field of pension fund management, which was rapidly becoming the biggest single category of institutional investment. Baillie Gifford already had several advantages: it had a generally good investment performance record, with particular success in the Japanese market. It had stuck rigidly to a fundamental approach of choosing stocks with a view to making a lot of money over a two to three year period, rather than going for rapid results.

Big Bang in 1986 also gave Baillie Gifford – and Scottish institutions in general – some major potential assets. The trustees of many corporate pension funds and charities became wary of the big financial conglomerates which were being formed in the City of London. "It's not just Chinese walls and all that," says Gemmell, "but the disruption of personnel caused by mergers and splits, the rapid turnover of staff and whole teams leaving."

The two factors have made many pension funds look to independent managers to manage all of their funds, or to take control of a section of them.

The stability of Baillie Gifford's personnel compared with larger institutions and even some independent fund managers became a major advantage. "The client wants to know that the people he meets now will be around in three years' time. We can't guarantee the future, but as a partnership we are part owners of the business and it's what we want to go on doing," says Gemmell.

Being in Edinburgh adds to the sense of independence because of the city's remoteness from the hurly-burly of the London market. Charles Plowden, a 27-year-old Englishman who joined Baillie Gifford straight from Oxford and handles UK equities, does not feel that being in Edinburgh is at any disadvantage in fund management: "It's not necessary to sit in Balls Brothers (a wine bar in the City of London) to get the gossip. Your friends can telephone you. Anyway we discourage that sort of short-term approach to investment. It doesn't matter whether you buy a share at 100p or at 101p if you're expecting it to go up to 300p."

But Baillie Gifford's detached, rather intellectual approach to life – many of its staff seem to be thoughtful, undemonstrative people – may have lent itself to successful fund management but did not make the company naturally gifted at marketing. Gemmell says that Baillie Gifford received a shock when, about three years ago, it made a presentation to a potential pension fund client with which it already had good connections and failed to win the contract. It made a major effort to improve its marketing.

The trustees of British pension funds normally go through one of a small number of firms of actuaries when they are seeking new fund managers. Though the fund managers can and do try to maintain good contacts with the actuaries, their only chance to impress the client himself is when they make a presentation during the "beauty contest" that precedes the selection of a new fund manager. The presentation, which rarely lasts more than an hour, is crucial.

The pace has also become hotter as Baillie Gifford increasingly found itself competing with several other independent fund managers roughly similar to itself rather than with a major London conglomerate, so that its special features had to be highlighted more sharply.

"We found we were doing OK with small groups of people but less well in big meetings with, say, 15 people. But where we were in competition with six or seven other fund managers we were wrongly expecting them to have read the material we had sent them in advance.

"The arguments the clients were hearing tended to sound the same. We may have sounded rather bland," he admits. "We had to emphasise what was different about us," namely the calibre of Baillie Gifford's staff and their continuity of service. Furthermore, "we were coming up against companies such as Gartmore (the London-based independent fund managers) and Murray Johnstone of Glasgow who had got their marketing acts together sooner than we had."

Gavin Gemmell: made major effort to improve marketing

Tightened up presentations

Baillie Gifford therefore embarked on a major effort to tighten up its presentations, partly with the help of Brian Malcolm who moved to Edinburgh after 17 years in the City to be the company's first full-time executive responsible for marketing.

The fund managers and analysts making the presentations were fully rehearsed before going on stage. Flip charts (backed by distributed photocopies) were introduced to emphasise the main points that Baillie Gifford wanted to get across to the client. Big efforts were made to tailor the presentation to the client's specific needs. The presentation team cut the time it talked to as little as 20 minutes out of the hour's presentation, leaving the rest of the time for questions.

The outcome was a dramatic improvement in Baillie Gifford's success ratio. It found that where it was on a shortlist of five it improved its chances of winning the contract from one in five to one in two. In the past two years it has obtained the management of part of the funds of companies such as United Biscuits and Michelin.

Whereas in 1985 it gained only four new funds, in 1987 it took on 12, and Gemmell believes it is getting more than its fair share of the market.

He thinks Baillie Gifford now has the client management capacity to take on another ten new funds this year, and it is actively seeking new business in the US where it has to make a direct approach to the client. But new business has been slower to come in since the October crash.

At this time of year the actuaries usually hold their fire until they can study the annual ratings of all the different fund managers now being compiled. The fund managers are anxiously waiting to see whether the pension fund trustees have reacted to the crash by sticking to their familiar managers, or ditching the poor performers. In the latter case Baillie Gifford hopes to gain.

BIM vote on charter

BY MICHAEL SKAPINKER

THE BRITISH Institute of Management is to ask its members whether it should apply for a Royal Charter to become the body responsible for granting individuals the title of Chartered Manager.

The concept of the chartered manager is the brainchild of the Council for Management Education and Development (Mead), which was set up last year by the BIM, the Confederation of British Industry and the Foundation for Management Education.

The organisations involved were responding to two reports on British management education, both of which called for the establishment of a national qualification.

In addition to any other professional or vocational training they might follow, young British managers will be encouraged to pass a series of theoretical examinations and practical tasks to acquire the title of Chartered Manager.

The BIM, supported by the other organisations involved, is proposing that it should become the body responsible for supervising the national qualification.

The organisation's 73,000 members will be asked whether they approve of the institute taking on this new role. Following this consultation exercise, the BIM's annual general meeting in September will be asked to vote on a proposal to transform the organisation into the British Chartered Institute of Management.

The chartered manager idea has some heavyweight names behind it. Bob Reid, chairman of Shell UK and of Mead, has welcomed the BIM's decision to play a central role in developing the qualification.

Derek Hornby, chairman of Rank Xerox UK, and Leonard Peach, chairman of the National Health Service management board, also occupy prominent positions in Mead.

Other managers and educators have questioned, however, whether the establishment of a Chartered Institute is the best way to go about improving the standards of British management education. They fear that the qualification might be too rigid and bureaucratic.

Even some of those involved in Mead worry that young managers will find the idea of doing a Masters of Business Administration degree more attractive.

Types of manager

A dearth of good all-rounders

BY MICHAEL SKAPINKER

ARE YOU A Godfather or an Ostrich? A Politician or an Eager Beaver? Do you thrive on conflict or do you avoid it?

Many writers have tried to define the various categories of managerial personality. The latest attempt comes from J.S.Ninomiya, who has had plenty of time to think about the subject.

During his 27 years at Ford, Ninomiya has held a variety of line, research and middle management positions. As part of a research team in the 1970s, he spent weeks observing managers in other companies in the oil and motor industries.

In his experience, few managers are up to the job. "Indeed, most of those I've known lacked what I consider the most basic requirements for effective management – an understanding of the human condition and an appreciation of people," he writes in the latest issue of the Harvard Business Review.

Most managers are selected on the basis of their expertise in a non-supervisory position. They tend, says Ninomiya, to display one of seven, generally unsatisfactory, management styles.

- The Godfather. Still the prevalent style, despite all the current talk of participatory management. Godfathers demand complete loyalty from their employees and thrive on confrontation with outsiders. They expect their subordinates to stand at the ringside and cheer for them.

Groups led by godfathers are goal-oriented and are known for getting things done. But they do not always act in the interests of the organisation as a whole.

- The Ostrich. Ostriches love the status quo, dislike conflict and unpleasantness, and hope that problems will simply go away.

Ostriches are more worried about the opinion of their superiors than about the morale of their subordinates. Their subordinates, in turn, often lack initiative and imagination.

- The Do-It-Yourselfer. Do-It-Yourselfers want to carry out every task themselves, particularly the more important ones. They rarely delegate. Their motto is: "If you want a job done do it yourself!" Their illness or departure can bring about the collapse of an entire department.

- The Detailer. Detailers want to know about every aspect of their employees' work. They, too, find it difficult to delegate. When they do, they badger their employees constantly to make sure they come to the right decision.

- The Politician. We all like working for Politicians because they tell us what we want to hear. Their own superiors like them for the same reason. Unfortunately, says Ninomiya, Politicians tend to overdo it. A colleague of his received 37 notes of congratulation from his Politician boss in one year. "No one looks forward to the 38th insincere note," he says.

- The Arbitrator. Arbitrators are good at handling large groups of people and at resolving conflict. But they are so friendly with their subordinates that they find it hard to crack down when the going gets rough.

- The Eager Beaver. They create so much work that they disrupt the smooth functioning of their organisations. Eager Beavers measure their worth by the number of letters and reports they generate. They expect their subordinates to work overtime and occasionally on weekends.

Combination

Each of these styles has something to offer an organisation, Ninomiya says, but not if a manager relies on only one of them. Good managers use a combination of styles.

"An effective manager is sometimes a Godfather and sometimes a Do-It-Yourselfer, often an Arbitrator and occasionally even an Ostrich," he says. "After 27 years, I think I know good managers when I see them, and I think I know what it is they do. I even think I know how to find them."

Most subordinates know who the good managers are, he says. The problem is that people seldom ask them. When companies hire new managers, they usually ask for references from the candidates former employers.

If companies really want to know whether managers can manage, why not ask for references from their former subordinates? "Unlike old bosses who often write complimentary letters on behalf of people they were happy to see go, old subordinates are likely to say what they mean" Ninomiya says.

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BUSINESS LAW

New pitfalls for directors

By Barry Donnelly and Martin Piers

FRAUDULENT trading now has a more easily satisfied younger brother – wrongful trading – where dishonest intent no longer need be proved. Now, not only the fraudster but also the honest incompetent and the unjustified optimist may be personally liable to contribute to the company's assets. Reasonableness rather than optimism will decide the fate of a director.

Although wrongful trading remains an unknown quantity in the sense that there is so far no practical experience with the application of the law – the dangers which it represents for company directors are more than clear. It is not only the director himself who is at risk but also the person upon whose instructions or directions he is accustomed to act – that is, any shadow director. Banks, venture capitalists, parent companies and auditors are therefore among those potentially at risk.

The new provisions of the Insolvency Act 1986 apply where, after April 28 1986, a company has gone into insolvent liquidation and where, at some time before the commencement of the winding-up of the company, a director at that time knew, or ought to have concluded, that there was no reasonable prospect that the company would avoid going into insolvent liquidation. The objective test is akin to that of negligence, not dishonesty, and that in itself should cause alarm.

The statutory defence provides scope for much debate. If the court is satisfied that a director took every step which he ought to have taken to minimise potential loss to the creditors from the time when he knew, or ought to have concluded, that insolvent liquidation was inevitable, he will escape liability. Parliament refused to insert the word "reasonable" into the phrase "every step". Nevertheless, Lord Denning was of the opinion that the courts would insert "reasonable", whether it was included in the statute or not. Otherwise, a director could be caught by failing to take steps which he did not realise he ought to have taken. It remains to be seen whether Lord Denning is proved correct.

But what are the relevant steps? Resignation in itself will not be sufficient, since the point at which a director ought to have made his conclusions is likely to have passed. Resignation does not protect creditors or minimise their loss. The director's duty will include persuading his colleagues to accept that things have gone seriously wrong and that the advice of lawyers and auditors should be sought. Directors will be shocked when, instead of being advised to resign, they are told that they must address the problem and endeavour to effect the best cure possible, perhaps by the use of the new administration procedure (should a debenture holder not block such a move) or a voluntary arrangement with creditors. The director who is unable to persuade his colleagues would be best advised to ensure that his views are minuted or to circulate his own notes of the meeting, if the full board is present, before tendering his resignation.

The impact of the new offence does not end there. A further serious change in the law has taken place in relation to the standard of behaviour demanded of a director. This appears to require more than is reasonable according to his particular knowledge and experience. A director is expected to exercise reasonable and responsible management skills which may be over and above those he actually possesses. The objective part of this two-fold test seeks to establish the ideal company director, a multi-headed creature who can be adapted to different types of companies. The new offence covers functions which a director does not carry out but which have been entrusted to him by reason of his office. Bearing in mind the new objective test, directors are best advised to carefully examine their own position within the company and to ensure that their functions are clearly and properly defined and evidenced, whether in a service contract or board minute.

> Those most at risk are managing or financial directors and those with financial qualifications

The test of insolvency under the wrongful trading provisions is the balance sheet test of liabilities plus expenses of the winding-up exceeding assets. A mixture of objective and subjective tests governing directors' actions suggests that those most at risk are managing or financial directors and those with financial qualifications. These directors will be expected to spot the red lights first. A non-executive director sitting on the board because of his financial qualifications will be equally at risk. Not so, for instance, the personnel director, although even he should ensure that proper financial information is available and has been properly reviewed and reported, including management accounts and cash-flow forecasts.

A person or body giving only professional advice in accordance with which the directors act will not be deemed to be a shadow director against whom the provisions may be used. Nevertheless, any rescuing bank must take care to simply monitor and not direct or instruct. Likewise, venture capital companies monitoring the performance of a company must exercise caution. Parent companies are not exempted and its dealings and relationship with a subsidiary will almost inevitably require steps to be taken by the parent to minimise the loss to creditors, should the subsidiary go into insolvent liquidation. There are serious implications for auditors in this respect and they will have to warn directors of the consequences of running unnecessary risks as well as face the possibility of being held liable in damages to such directors should they fail to do so.

While these potentially grave dangers pervade, insolvency practitioners from leading accountancy firms anticipate that the ultimate sanction, personal liability to contribute to the company's assets, may rarely arise. This is because liquidators would be far more interested in an acceptable contribution through a negotiated compromise to boost the assets, than in the expense and uncertainty of taking the litigation all the way, notwithstanding the courts' power to order a director to make a contribution equal to the total loss suffered by the creditors of the company.

Nevertheless, proceedings for wrongful trading can only be brought against directors by the liquidator, who is under a statutory duty to report within six months of his appointment on the conduct of the directors to the DTI, who can consider bringing disqualification proceedings. Insolvency practitioners are provided with special guidance notes to aid them in completing the new standard form report. The information which the DTI will primarily use when deciding to bring disqualification proceedings derives from the liquidator's answer to, perhaps appropriately, question 13 of the form.

The liquidator will consider the causes of failure and the insolvency of the company, including the time when the company first became insolvent, for which he will review internal management accounts or draft accounts. Should these indicate that the position of insolvency arose some time before, the liquidator may hold directors who failed to recognise this liable for any increase in the deficit. Other factors to be considered include the events occasioning insolvency, such as the ability of the management concerned, and any evidence available as to the commencement and knowledge of insolvency and individual directors' responsibility and explanation for them.

The question of whether the director should have stopped trading or taken other curative steps is decided by others who have the benefit of hindsight. The potential exposure to litigation has been increased by the new provisions requiring higher standards of conduct, but has been accompanied by the advent of professional liability insurance for directors, which was introduced at the instigation of the Institute of Directors in part to indemnify its members against this risk. Available cover includes damages awarded as a result of breach of duty or other wrongful act, including wrongful trading, together with the costs of defending an application for a Disqualification Order. Although premiums are reasonable and cover is wide, there is a modest level of protection with a ceiling of £250,000. Prudent directors should still consider arranging for appropriate cover.

The fact that a director has yet to be held personally liable by the courts for wrongful trading and the possibility of insurance cover for such liability should not lull directors of UK companies into complacency. The new legislation has very real teeth and the commitment shown by the DTI in pursuing disqualification orders to date may lead to a spate of incidences of personal liability for wrongful trading – whether that liability arises by reason of an order of the court or through a settlement negotiated by the liquidator.

Martin Piers is a partner and Barry Donnelly a barrister at Gouldens, City solicitors

JOBS

How best to find out what managers need

BY MICHAEL DIXON

THE CHART was flashed on the screen for only a few seconds. It was nevertheless there long enough to cause surprise among the 150 people at the conference. "I hadn't realised things had gone so far," the man beside me gasped.

What we saw was a complex of tiers of boxes linked by lines, resembling an electrical wiring plan. But while it did not have the appearance of something likely to affect anyone's personal fortunes, it could well represent the shape of things to come for readers employed as managers in the United Kingdom, at least.

The reason is that the chart shown during the conference at Ashridge Managagement College last week was the blueprint of a newly devised professional structure for managerial work in Britain. The aim behind it is that promotion up the management ladder should be granted only to people who have been trained and tested in a variety of so-called "competences", of which a premier example is effective communication.

That example is not without a touch of irony. For the chart which created surprise at the conference was drawn up by a body called the Council for Management Education and Development. And the people who received the surprise are members of a body called the Association for Management Education and Development. In devising the blueprint, therefore, the Council for Management Education and Development apparently failed to communicate effectively with the Association for the selfsame thing.

The inference for people who merely work as managers in Britain seems clear. It is that if they have views on the matter, they would do well to send them quickly to the said council care of Shell UK, Shell-Mex House, London WC2 0DX. Otherwise they are apt to have the training and testing structure thrust upon them without their ever being consulted at all.

In which case, while they will owe their immediate thanks to a group of some 170 organisations whose evident leader is Shell, a nod of gratitude will be due to a certain branch of Government too. A good deal of the impetus and much of the money behind the scheme to raise management to a pukkah profession have been suppplied by the Manpower Services Commission.

Spare capacity

It also looks likely to have a fair amount of working capacity to devote to the project. The youth unemployment problem, which the commission was created mainly to tackle, is scheduled to disappear over the next few years as the number of older teenagers in the UK falls sharply. So if the project goes through, and the commission becomes the prime governmental body responsible for management training, it will truly have come of age.

There can be no denying that the commission has achieved some good results so far. Besides the youth training schemes it has seeded, many of which have worked well, it has implanted much needed practical studies into Britain's overly academic secondary schools. Its scheme to induce universities and polytechnics to pay greater heed to developing economically useful skills is also a definite boon.

But the Jobs column cannot help suspecting that, in seeking to lift management from a craft to a profession, the commission is biting off more than the UK economy can nutritiously chew. My suspicion has two main roots, the first being a doubt that the work of managing can sensibly be called a profession.

The best rule of thumb I know for deciding if an activity can fairly claim that title was devised by the Cambridge philosopher, Renford Bambrough. The work probably most widely accepted as a profession is medicine, and everyone has heard of the moment when a theatre curtain falls unexpectedly and someone comes out in front to ask: "Is there a doctor in the house?" Mr Bambrough's test of whether other activities are professions is whether people practising them would be likely to have their services called on in similar way.

Now it would surely make sense for somebody to ask: "Is there an electrical engineer – or a lawyer or even an accountant – in the house?" The reasons are twofold. One is that the skills involved are so well defined that, if a sudden need for them arose, pretty well anyone trained in the field could cope. The other reason is that, given some minimal equipment, the person concerned could deal with the emergency regardless of the environment in which it arose.

But if someone asked: "Is there a manager in the house?", there would be only one sensible reply, to wit: "What *sort* of manager?"

Circumstances

Management embraces too great a variety of activities for just anyone who works in the field to supply the particular managerial skills required in any given situation. What is more, managers' competence often depends on the circumstances in which they are employed. Many of them have been reduced from effectiveness to uselessness by even a small change in their working environment.

Those same features also give rise to my second qualm about the scheme being pursued by the Shell-based council and the Manpower Services Commission. Their plan is evidently to break down managerial proficiency into a series of "competences", well enough defined for people to be *trained and tested in each one*, and impose the whole caboodle from the top down as a means of deciding who is fitted to take on what degree of management responsibility.

I have no doubt that it could be done. For example, research by the Institute of Manpower Studies* has shown that many big organisations already have "skill languages" made up of terms for particular elements of managerial competence. Often, too, the languages of separate companies use the same terms, like "effective communication" and "leadership". The trouble is that each organisation tends to attach a different meaning to them.

"If we ask 'is there a shared language for management skills?'", the institute says, "the answer seems to be yes at the level of expression but no at the level of meaning."

So although I do not question that the proposed hierarchy of competences could be formulated and imposed – especially with the aid of a bit of best British bureaucracy – I severely doubt that it could be done usefully.

The institute seems similarly sceptical about the wisdom of such a top-down imposition of a professional structure. Its study report concludes as follows:

"Good managers themselves understand more about the skills they have to use than do politicians, educators or captains of Industry (who are very *atypical managers*). Tapping and crystallising this understanding in a changing environment is the challenge to those seeking to improve the quality of UK management.... good practice at the level of the firm where managers actually develop is rapidly emerging, and should be spread and promoted by any national initiatives."

Peculiar

In ordinary circumstances, the meaning of those words is clear enough to need no explanation. But today it is important that the message should get across to the professionalising faction which, on the evidence of last week's conference, has a somewhat peculiar view of what constitutes effective communication.

So, for the ears specifically of the Council for Management Education and Development and Manpower Services Commission, what the research institute – and, incidentally, the Jobs column – are saying is this:

If you want to find out what practising managers need to learn to improve their results, you'd do better humbly to ask them than haughtily tell them.

**What makes a manager*, by Wendy Hirsh and Stephen Bevan. Institute of Manpower Studies (Mantell Building, University of Sussex, Falmer, Brighton, Sussex BN1 9RF). £21.*

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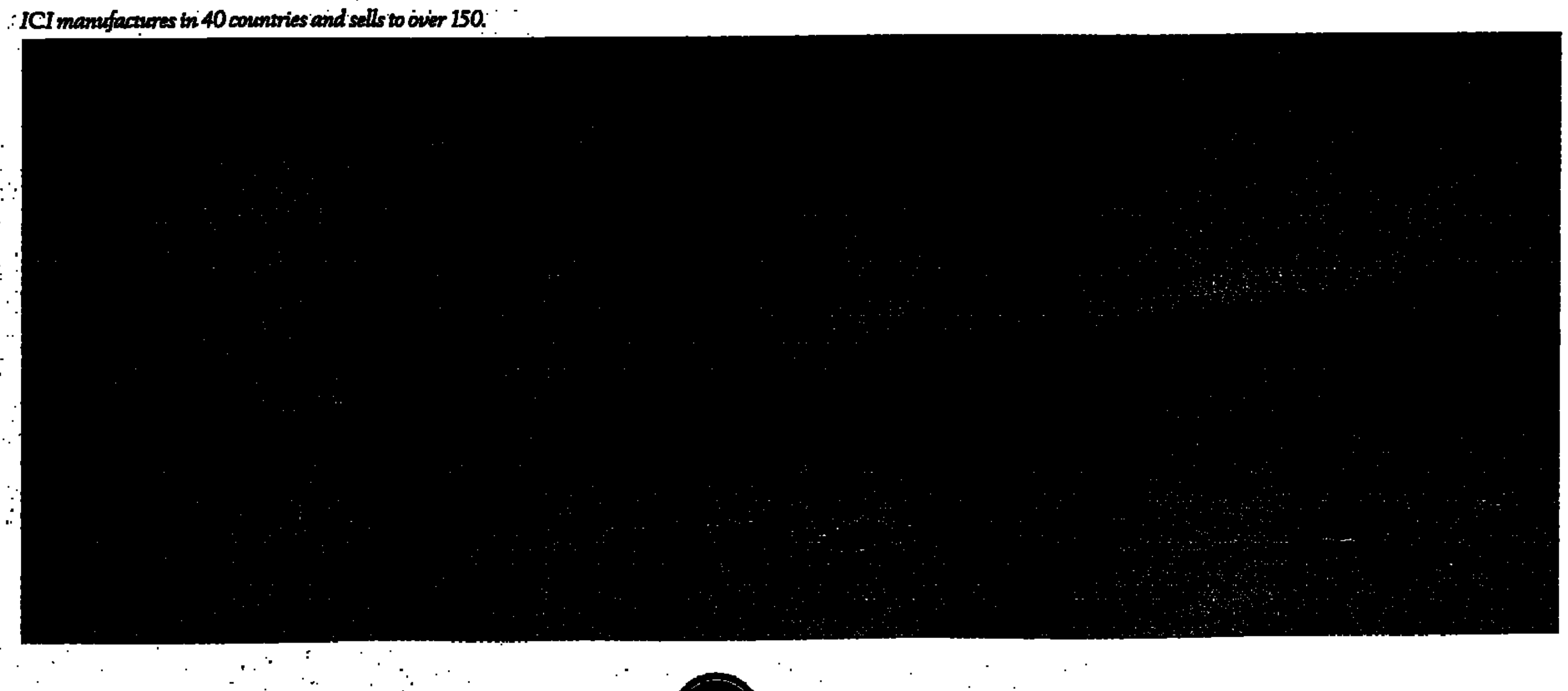

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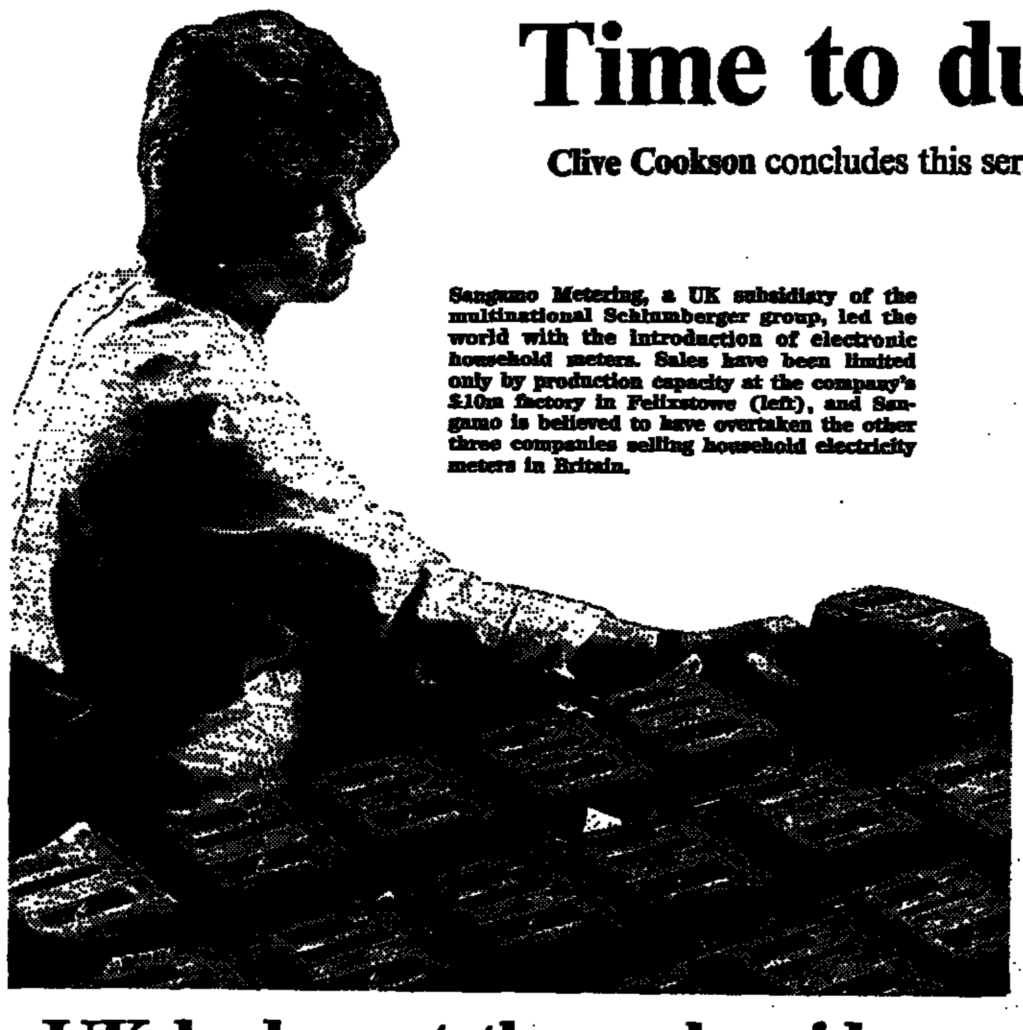
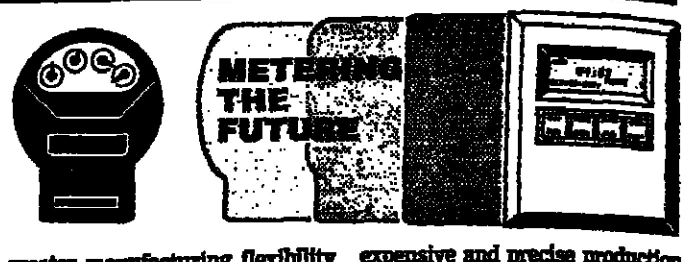


Sangamo Metering, a UK subsidiary of the multinational Schlumberger group, led the world with the introduction of electronic household meters. Sales have been limited only by production capacity at the company's £10m factory in Felixstowe (left), and Sangamo is believed to have overtaken the other three companies selling household electricity meters in Britain.

Time to dump the old Ferraris



Clive Cookson concludes this series by examining electricity's march towards advanced electronics

BRITAIN is leading the world in introducing an entirely new electronic type of meter to measure households' electricity consumption. The new meters, in which the traditional spinning aluminium disc is replaced by electronic circuitry, are already installed in 200,060 homes throughout the country.

Statistics from the Department of Trade and Industry show that UK manufacturers sell about 2m electricity meters per year. Their value is rising fast, from £46m in 1985 to £55m in 1986 and £76m in 1987, and this trend will be maintained as long as the electricity boards continue to invest in sophisticated new electronic meters.

There are no reliable statistics for the world meter market. But George Brewer, managing director of Polymeters Response, a new electronic meter manufacturer, says that his market research shows that worldwide sales of solid-state meters could exceed £4.5bn a year in the 1990s. A recent report from the Japanese Ministry of International Trade and Industry gives a similar figure.

Electricity utilities around the world are beginning to install electronic meters in factories and offices but it is only in Britain that they have been put into large numbers of homes.

Electricity is easier to meter electronically than gas or water and manufacturers have developed several alternative methods for doing so with integrated circuits. These measure the voltage and current of the incoming electricity supply, multiply the readings together to give the power, and then integrate the power consumption over time to show the amount of electrical energy used.

Such electronic devices offer several advantages over the traditional electromechanical meter, known as the Ferraris disc meter, which has dominated electricity measurement for 100 years. Their microprocessors give utilities the opportunity to introduce more complicated multi-rate tariffs which relate the price paid by the consumer more closely to the cost of generating electricity. And electronic meters are more easily linked to communications networks for the purposes of load management and automatic reading.

Electronic meters are already cheaper to manufacture than electromechanical meters if they are designed to measure consumption according to two or more tariffs. Although the most simple type of domestic meter, the "single-phase single-tariff meter", is still slightly more expensive in electronic form, most people in the industry say it will soon become cheaper.

Indeed the UK electricity boards are willing to pay a slight premium for electronic meters because they are far harder to defraud than traditional meters. Meter fraud is a serious though little publicised problem. The London Electricity Board officially estimates that customers who fiddle their meters defraud it of £5m a year, or five per cent of total revenue. But many LEB staff believe that the actual loss is considerably greater.

Most people cheat by interfering with the meter's rotating aluminium disc, sometimes at considerable risk to their personal safety. The cruder fiddling techniques involve physically stopping the disc by inserting a suitably shaped object through the meter cover. More sophisticated methods use electrical "black boxes". These alter the phase difference between the voltage and current coils which makes the disc rotate; they can even make the disc turn backwards and reduce the reading on the meter's dials.

Customers who fiddle their meters cost the London Electricity Board over £5m a year

Electronic meters are immune to these fiddling techniques and they are designed to detect any illegal attempt to subvert them.

Even so, the Ferraris disc meter has built up an immensely loyal worldwide following over the past century because it is so reliable and durable. The UK policy is to refurbish meters and return them to service every 20 years. "We have meters going out on circuit for the third time," says Peter Leedham, the LEB's plant and equipment engineer. "A large number of our electromechanical meters have done 45 years or more. It would be a brave man who would say that electronic meters will last as long."

The company that has led the world in the introduction of electronic household meters is Sangamo Metering, a UK subsidiary of the multinational Schlumberger group. Its first thousand electronic meters were installed in East Midlands homes at the end of 1984. Since then Sangamo has sold about 200,000 electronic meters to the UK electricity boards, either as simple meters or as prepayment "budget meters" (see article below).

Schlumberger chose the UK as its test bed for developing and manufacturing electronic meters. The company built a £10m automated meter factory in Felixstowe, Suffolk, and it is now spending £1.5m a year on research and development there.

Charles Bow, marketing manager at Sangamo Metering, says sales of electronic meters are limited only by the factory's production capacity. In the UK market Sangamo is believed to have overtaken the other three companies selling household electricity meters.

The three competitors have undoubtedly received a jolt from Sangamo's success and are scrambling to develop their own electronic meters. They are:

● GEC Meters, based in Stone, Staffordshire – the largest UK manufacturer. It is very strong in industrial as well as household electricity meters and has a large export business.

● Landis & Gyr, based in Acton, West London – UK subsidiary of the Swiss Landis & Gyr Group, the largest worldwide manufacturer of electricity metering equipment. Its export trade from the UK to Commonwealth countries is substantial though not as large as GEC's.

● FML, based in Oldham, Greater Manchester – formerly Ferranti Measurements. Siemens of West Germany bought 50 per cent of the company in 1978 and FML became a wholly owned subsidiary of Siemens in 1985. Until then it was clearly the weakest of the four UK meter manufacturers, but Siemens has recently invested a lot of money to improve FML's product line and manufacturing plant, and turnover increased sharply from £7.6m in 1985 to £17.2m in 1987.

FML and Sangamo have greater manufacturing flexibility than GEC and Landis & Gyr because they do not export large numbers of traditional Ferraris disc meters. With the help of large investments by their multinational parent groups, FML and Sangamo have been able to concentrate on developing electronic meters in the UK.

Tim Sheppard, managing director of FML, says his company will be launching electronic two-rate meters later this year. Unlike Sangamo, FML will not sell electronic meters on their own. Each meter will be combined with a time switch or radio teleswitch in a single unit. As Sheppard points out, any two-rate meter must have a means of switching between tariffs; traditionally the time switch is a separate unit but modern electronics make it simpler to integrate the meter and switch.

The switch to electronics will make it easier for new suppliers to break into the market

Richard Harpum, managing director of GEC Meters, and Gerry Cooper, his opposite number at Landis & Gyr, say their export customers, which are mainly in Asia, the Middle East and Africa, will continue to want simple and reliable Ferraris disc meters for many years to come. "They are not ready to accept electronic meters," Harpum says. "They already have a product which is cheap and lasts for more than 40 years."

So GEC and Landis & Gyr are continuing to improve their Ferraris disc meters and cut manufacturing costs, while at the same time developing a new range of electronic meters. Neither company is likely to have an electronic household meter in production before next year.

By moving to electronic meters, the electricity supply industry will make it easier for new manufacturers to enter the market. Setting up an electronics plant requires less investment than making electromechanical meters, which depend on very expensive and precise production engineering.

Several companies are keen to break into the market for household electricity meters. In the UK, Polymeters Response seems to be the most ambitious new entrant. Its first product, called the Calmu (standing for Credit And Load Management Unit), has just received legal approval for industrial tariff metering, and the company hopes that a domestic version of its meter will be approved by the end of this year.

The Calmu has an interesting history. It originated in a project sponsored by the Electricity Council to investigate automatic meter reading and load management in the early 1980s. After a successful field trial of three hundred prototype units, John Fielden, the electronic design engineer who had done the main design work, set up his own company Polymeters to commercialise the Calmu.

Last month Polymeters merged with another small industrial metering company, Response, and the new group will launch the Calmu next month. It forecasts annual sales of £8m to £10m within three years.

Meanwhile, the Electricity Council continues to pursue the project independently, working with Mullard, a UK subsidiary of the Philips electronics group. Their latest product, called the Emu (for Energy Management Unit), will be tested in 700 homes later this year.

Colin Richardson, who is in charge of the project at Mullard, says the company will continue to develop computerised metering equipment – which would fit in well with Philips' work on the "smart house" of the future – but it has not decided when to enter the commercial market.

Richardson warns that there will not be as much room in the electricity meter market as some people think.

"I believe there's only room for five companies to supply domestic meters in Britain." He predicts that several newcomers will soon join the four established manufacturers – and some time after that there will be a shake-up.

On March 29 this series examined advances being made in water and gas meter designs. The implementation of remote monitoring devices was covered on March 22.

UK locks out the cash raiders

THE UK electricity boards are replacing the country's 1.5m coin-in-the-slot meters with cashless prepayment meters. Over the last three years they have installed about 200,000 new meters, which accept electronic tokens instead of 50p or £1 coins, and coin meters are likely to have disappeared entirely by the mid-1990s.

The boards started their replacement programme mainly because coin meters are so prone to theft. Research by the Home Office Crime Prevention Unit shows that on low-income housing estates, where coin meters are concentrated, half of all burglaries involve breaking into the meter's cash box.

All four UK meter manufacturers make cashless prepayment meters, which charge for the electricity as it is consumed and at the same time collect any debt owed to the board at a fixed weekly rate. (The boards now offer prepayment meters to customers who do not pay their bills on time, as an alternative to disconnection.) There is also an emergency credit button which allows the consumer an additional £5 worth of electricity if he runs out of tokens.

Two different types of electronically encoded token are in use: the card and the key. The first card system was introduced by Landis & Gyr; it used the same optical encoding technique as the company's highly successful Cardphone but did not prove popular with the electricity boards. Rival card systems made by GEC, FML and Sangamo, which use magnetic encoding, have been more successful.

Consumers buy the cards in £1 units from electricity board showrooms and offices or from vending machines. When they are inserted into the meter they become demagnetised and are thrown away.

The key system developed by Sangamo and adopted by the London Electricity Board is more advanced. Unlike the throw-away cards, the permanent key carries information between the meter and the electricity board. It has a small memory chip embedded in a key-shaped plastic shaft, which transfers credit to the customer's meter.

When the customer takes the key to the vending machine to be recharged, it carries back the latest meter reading, which is transferred to the electricity board computer. The board can also use the key to change tariffs automatically on the meter or to change the rate at which it collects debts. This two-way communications facility means that electricity board staff have to make fewer visits to read or adjust meters.

But Sangamo's competitors are developing even more sophisticated systems. Next year GEC will test a prepayment meter based on the company's "smart card" – a credit card sized microcomputer. This works without the surface electrical contacts which can make other electronic tokens unreliable. The GEC card will transfer credit and other information if it is simply held up against the meter.

FIMBRA

COMPLIANCE DEPARTMENT OFFICERS

In December 1987 the Financial Intermediaries, Managers and Brokers Regulatory Association became the first Self Regulating Organisation recognised under the Financial Services Act 1986.

FIMBRA regulates the carrying on of investment services provided to retail customers by its members which are expected to number over 10,00 firms. The members provide a very wide range of investment services.

The Compliance Department's important role involves monitoring the members activities by means of regular and random compliance visits and investigations and assessing solvency.

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Company and individual applications invited for GEC Visiting Fellowships in the College during the academic year 1988/9, for a definite programme of study/research. The Fellowships, tenable for at least 3 months are intended for persons on leave from regular employment in industry, commerce or public services and who will continue to receive normal salary from their employer. Fellows will also be engaged in activities in the College which will help to foster relations between Fellows and undergraduates and the world of industry and commerce. Rent free accommodation and free meals.

Further details from: The Senior Tutor, University College, Oxford OX1 4BH. Enquiries and applications are welcome at any time, but the College will begin to review applications for the Michaelmas Term (starting in October) on May 1st.

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Notice of Meeting

Messrs. Shareholders are hereby convened to attend the Annual General Meeting which will be held on April 19th, 1988 at 3.00 p.m. at the offices of Kredietbank S.A. Luxembourgeoise, 43, boulevard Royal, Luxembourg, with the following agenda:

Agenda

1. Presentation of the reports of the Board of Directors and of the Statutory Auditor.
2. Approval of the balance sheet, profit and loss accrual as of December 31, 1987 and allocation of net profits.
3. Approval of the remuneration of Directors.
4. Discharge of the Directors and the Statutory Auditor for the fiscal period ended December 31st, 1987.
5. Action on nomination for election of Directors and a Statutory Auditor for the ensuing year.
6. Any other business which may be properly brought before the meeting.

Shareholders are advised that there is no quorum requirement for all the items of the agenda and the resolutions thereon will be passed at the simple majority of the shares present or represented at the Meeting. Each share is entitled to one vote.

In order to be valid, all forms of proxy must reach the registered office of the company at least one day before the date of the Meeting.

The Board of Directors

FINANCE - ECU SICAV

2, boulevard Royal
L- 2953 Luxembourg
R.C. Luxembourg B -24713

Messieurs, les actionnaires sont pries d'assister a
l'Assemblee Generale Annuelle
qui se tiendra le 15 avril 1988 a 10.00 heures au siege social, 2, boulevard Royal, pour deliberer sur l'ordre du jour suivant:

1. Rapports du Conseil d'Administration et du Commissaire.
2. Approbation de l'Etat des Actifs Nets et de l'Etat des Operations au 31 decembre 1987: Affectation des resultats.
3. Decharge a donner au Conseil d'Administration et au Commissaire.
4. Ratification de la demission d'un administrateur.
5. Nominations statutaires.
6. Divers.

Tout actionnaire desirant etre present ou represente a l'Assemblee Generale Annuelle devra en aviser la Societe et deposer ses actions au moins cinq jours francs avant l'assemblee aux guichets de la Banque Internationale a Luxembourg, 2, boulevard Royal, L- 2953 Luxembourg.

Le Conseil d'Administration

GENERAL MINING UNION CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
Company Registration No. 01/01232/06

PAYMENT OF COUPON NO. 129
(Dividend No. 124)

HOLDERS OF SHARE WARRANTS TO BEARER will receive payment on or after 14 April 1988 at the rate of 40.37345p the amount declared per share, less 6.05602p being South African non-resident shareholders' tax of 15% against surrender of Coupon No. 129.

Coupons must be deposited for FOUR CLEAR DAYS for inspection before payment will be made:-

In London:	At the London Secretaries office of the Corporation 30 Ely Place, London, EC1N 6UA
In Paris:	At Credit du Nord
In Switzerland:	At Credit Suisse, Zurich Union Bank of Switzerland, Zurich Swiss Bank Corporation, Basle or at any of their branches

Coupons belonging to holders resident in Great Britain and Northern Ireland will be paid as follows:-

	Pence
Amount of dividend after deduction of South African non-resident shareholders' tax of 15%	34.31743
Less: United Kingdom Income Tax of 10% on the Gross Amount of the dividend of 40.37345p	4.03734
	30.28009

Listing forms can be obtained on application to the London Secretaries.

per pro GENCOR (U.K.) LIMITED
London Secretaries
L.J. Balcos
6 April 1988

30 Ely Place
London EC1N 6UA

NOTE: Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 10 per cent instead of at the basic rate of 25 per cent represents an allowance of credit at the rate of 15 per cent. The gross amount of the dividend received to be entered by the individual shareholder on any return for income tax purposes is 40.37345p multiplied by the number of shares held.

Legal Notices

IN THE MATTER OF THE INSOLVENCY ACT 1986
AND IN THE MATTER OF
BEJAY ICES LIMITED
(In Receivership)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a meeting of the Creditors of the above named company will be held at the offices of SINGLA & CO, Chartered Accountants, 49 Queen Victoria Street London EC4 on Friday the 15th April 1988 2.30 p.m. for the purpose of having laid before it the report prepared by the Administrative Receiver in accordance with the said section and, if thought fit, appointing a committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the above meeting must lodge a written statement of their claims with me at SINGLA & CO 49 Queen Victoria Street, London EC4 no later than 12 noon on Thursday 14 April 1988. A copy of my Report can be obtained, free of charge, by written request.

Dated this 24th day of March, 1988

S.K. SINGLA FCA
Administrative Receiver

COURT OF SESSION, SCOTLAND

Lamberton Robotics Limited

A Petition has been presented to the Court by Lamberton Robotics Limited, having its Registered Office at 28 Gartsherrie road, Coatbridge for confirmation of Reduction of the Company's Share Capital. By interlocutor dated 15th March 1988 the Court ordered that the Petition be intimated on the Walls and in the Minute Book in common form and be advertised in the Edinburgh Gazette, the Financial Times and the Glasgow Herald newspapers and allowed all parties claiming an interest to lodge Answers thereto if so advised within 21 days of such intimation and advertisement; of all which intimation is hereby given. Bird Semple Fyfe Ireland, W.S. Orchard Brae House, 30 Queensferry Road, Edinburgh Agents for Petitioners.

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The rate of interest applicable to the interest period from March 31st 1988 up to September 30th 1988 as determined by the reference agent is 7⅞ per cent per annum namely US$ 197.45 per Note of US$ 5.000,-.

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In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the fifteenth period 31st March, 1988 to 30th September, 1988 has been fixed at 7.375 per cent per annum.

On 30th September, 1988 interest of US$37.49 per US$1,000 nominal amount of the Notes and US$374.90 per US$10,000 nominal amount of the Notes will be due against coupon No.15.

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Executive Manager - Administration,
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P.O.Box 5389 Safat,
Postal Code 13054 Safat,
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Television/Christopher Dunkley

The writer who went out into the cold

Whatever became of John Hopkins? The question arose at the beginning of Easter week during a pleasant evening initiated by Christopher Bland, former deputy chairman of the IBA and now chairman of LWT Holdings. Why not, he had said, have some dinners where the subject of discussion was not – as usual – the dreadfulness of so much television, but rather the excellence of certain programmes. Somebody could kick off the evening with one or two clips from whatever they admired most, backed up by *a few explanatory words of* enthusiasm. . .and how about the FT's television critic for the first dinner?

Having narrowed the field to drama to make the undertaking manageable, the first production that came to mind was *Talking To A Stranger*, the quartet of plays written for the BBC in 1966 which told of a traumatic weekend in the life of the Stevens family, each 90-minute drama covering the same events from a different point of view: father, mother, daughter and son. Did the memory play tricks; could it possibly have been as good as one remembered?

Indeed it could. Though 22 years old, made in black and white, and viewed today on a film editor's Steenbeck in 10-minute sections, it was still extraordinarily powerful. With superb performances from Judi Dench and Michael Bryant as the children and Maurice Denham and Margery Mason as the parents, its quality would still look quite outstanding if you repeated it tomorrow, no matter how much colour and electronic technology the surrounding programmes might be exploiting.

My other clips were from *The Voyage of Charles Darwin*, *Muck and Brass*, *Heimat* and *The Singing Detective* and I had a fair idea of what was happening today to the authors of all those series. But whatever became of the man who wrote *Talking To A Stranger*, John Hopkins? Did I not realise, I was asked, that even as we sat there, downing LWT's claret, we were missing the second part of Mr Hopkins' spy thriller, *Codename Kyril*?

Having watched the first half of this big-budget tosh on the previous evening, it was almost impossible to believe that it was written by the same man. Then, remembering that Hopkins had been *co-adaptor of John Le Carré's Smiley's People* six years ago, it began to make a sort of sense. Somebody had presumably decided that if a man capable of such high quality on his own was happy to adapt Le Carré he might as well do his own spy story, hence *Kodename Cyril*.

The trouble was that *Kyril's* requirements were not high quality drama but lots of "sexy" foreign locations and a number of Scandinavian actors to keep the co-producers happy. The man who wrote such a telling and painfully honest account of family life in *Talking To A Stranger* was now busy arranging for his hero *to jump 40 feet off a roof*, land on a concrete balcony and escape down a hotel corridor. *Kyril* had neither the insights of Hopkins' own quartet, nor the expertise and subtlety of Le Carré's spy stories.

Ken Russell: an ABC of passions, prejudices and pejoratives

> 'It is one thing for television to mount imitation trials when the case is beyond the real courts, and quite another when the case could still be taken to law'

However, it did have what television always seems to want at holiday times: size and spectacle, something that can be promoted as a bit special. At Easter this traditionally takes the form of circuses and oratorios, the singing normally being led by men wearing dinner jackets and long gloomy faces. Now, with virtually no circuses left in Britain, the oratorios are interspersed with "specials" of several other sorts.

This year the best of these were *Ken Russell's ABC Of British Music* and *The Trial Of Sir Roger Hollis*, both produced by LWT. Russell, an *enfant* not so very *terrible*, is one of the great wasted talents of television. That a man who is capable of making *A Song Of Summer*, *Elgar* and *Dance Of The Seven Veils* should be footling around with unremarkable movies for the cinema, plus the occasional pop video, is scandalous.

All credit then to Melvyn Bragg (who, like Russell, served his apprenticeship on Huw Wheldon's seminal BBC arts series *Monitor*) for commissioning this *ABC* which, predictably enough, turned out to be a dotty mixture of passions, prejudices and pejoratives that was, above all, highly entertaining. As ever Russell championed the rights of women to be considered seriously as artists and performers while refusing to suppress the fact that he finds their bodies extremely attractive. It is a combination of attitudes which strikes me as perfectly sensible but which seems to infuriate just about everybody else in the modern world.

The Trial Of Sir Roger Hollis followed the pattern set four years ago by LWT's *Trial Of Richard III* with only the name of the dead man in the dock but all other functions properly fulfilled: a real judge on the bench, genuine barristers to prosecute and defend, expert witnesses for both sides, and a proper jury who, presumably, really did retire and consider their verdict. Given the circumstantial nature of the evidence provided and the lack of any other sort, it was wholly unsurprising that Hollis was found "not guilty," though it was an occasion when the Scottish declaration of "not proven" might have been more useful.

The entertaining nature of this programme should, surely, give some pause to Channel 4, which is now planning a television trial of Kurt Waldheim. There was nothing trivial about *The Trial of Sir Roger Hollis*: it was a perfectly acceptable formula for bringing to television a piece of journalism which, in any other form, would probably have bored most viewers to tears, lasting, as it did, three hours. The courtroom scenario is a peculiarly potent one.

The difference between the two cases is that whereas Hollis is *dead and cannot be affected by* anything television may do, Waldheim is still alive and certainly can be affected. Moreover, it is one thing for television to mount imitation trials when the case is beyond the ambit of the real courts, and quite another when the case could still be taken to law. That is why it is so worrying to hear that, next Monday, the BBC will start showing the highly doubtful American series *The People's Court* with a view to producing a similar series of its own later.

Channel 4 has already had a go at bringing this series to Britain, and we have seen that its primary purpose is audience maximisation rather than justice. The BBC's press release gives an idea of the flavour, asking: "Would *you* be prepared to fight your private legal case in front of millions of TV viewers? Hundreds of ordinary Americans do, in a top-rated, Emmy-nominated series called *The People's Court*. . .in which Judge Joseph A. Wapner (retired) provides expert and legally binding arbitration on a variety of real-life cases." In order to appear on television the litigants waive their rights to go to a real court.

In this age of obsessive free enterprise perhaps we should not be surprised to find television privatising a bit of the law. Furthermore, series such as *Rough Justice* have for years been setting themselves up in a quasi judicial capacity, but at least their makers could plead a higher motive than simply chasing ratings: they were attempting to right apparent wrongs which nobody else would attend to. No such argument applies to *The People's Court*, which looks like one more indication of television's willingness to throw absolutely anything into the ever-open maw of the ratings mill.

Women's Works/Liverpool

Susan Moore

AT LAST, a non-manipulative view of women's art. Organisers of previous exhibitions on this theme have scoured museums to select images appropriate to their politics. Jane Sellars has attempted an analysis of the subject matter, patronage and success of women artists by examining three Merseyside collections: the Walker, a major museum which also served as an exhibition forum for the annual Liverpool Autumn Exhibition 1871 to 1938 and for the biennial John Moores Liverpool Exhibition held since 1957, and the Lady Lever and Sudley art galleries, originally private collections amassed *in the late 19th century*.

The fruits of her researches are published in "Women's Works," a catalogue of the 280 oils, watercolours, prints and sculptures, which range from a disappointing oil on copper attributed to the celebrated sixteenth century Bolonese painter, Lavinia Fontana, to Mary Martin's stainless steel "cross" and canvasses by Bridget Riley and Gillian Ayres. These are now on display at the Walker Art Gallery, Liverpool, until April 15.

New museums such as the Walker proved influential and important purchasers of contemporary academic art in the late 19th century, and its main exhibition gallery is hung with a series of imposing early acquisitions. A predilection for female subjects – whether allegory or history or domestic anecdote – soon becomes apparent as one progresses from Sophie Anderson's Tennysonian heroine, "Elaine" and the Academy gold medallist, Louisa Starr's "Sintram" – a knight charged by his mother to protect the weak and repress the wanton. But the idyll of Louise Jopling's fastidious bourgeois house-pride – and Dame Laura Knight's delightful suburban vision – gives way to Prunella Clough's very different kind of kitchen-sink realism in the 1950's.

The show is not without its surprises or its absurdities. It also prompts the conclusion that most of the best 19th century work was done by artists trained or living abroad. Margaret Hall (1863-1910), who worked in Rome and Paris, emerges as an impressive painter with her dramatic Caravaggesque portrait of Victor Hugo's Fantaine. We find Eleanor *Brickdale painting meticulous* pre-Raphaelite canvasses well into this century; her tour de force, painted in 1920, features Leonardo da Vinci demonstrating his model flying machine to the Court of Milan.

Little Foot-Page, by Eleanor Brickdale

Jane Sellars finds no evidence, at any time, for either positive or negative discrimination in the acquisition of women's art. More revealing still are her statistics. In the first Liverpool Autumn Exhibition of 1871 only 10 per cent of exhibitors were women; *in the entry for the first John* Moores' exhibition nearly a century later in 1963, and after the battles for equality in art education had apparently been won, the proportion was, if anything, slightly less. I can only agree wholeheartedly with the 1957 John Moores prize winner Sheila Fell: "Artists are either good or bad, that is all there is to it."

Philharmonia/Festival Hall

David Murray

The conductor of Monday's Philharmonia concert was Francesco D'Avalos, a dignified and undemonstrative figure about whom we knew little more by the end of the evening than at the beginning. That may be exactly what he would prefer; but it was odd to realise that one could not begin to guess what he might make of other music than the particular repertory pieces he had just offered.

Beethoven's *Leonora* Overture no. 3 was unproblematic - a solid, prosaic run-through, enlivened by a faultless offstage trumpet but not by any evident dramatic knack. The lead-in to the coda, a simple test of theatrical instinct, generated no suspense whatever, and in general a newcomer to the music would have been surprised to learn that it had anything to do with an opera.

Accompanying Felix Schmidt in the Haydn C major Cello Concerto, D'Avalos was faithful and self-effacing, while young Schmidt gave an excellent account of himself: sterling technique, a rich tang in the tone (he is lucky in his Strad), unfailing musicianship and energy. Musically this Haydn is hardly demanding; it takes a seasoned performer like Rostropovich really to play *with* it, and one wants to hear Schmidt now in tougher stuff.

The surprise of the concert was Schubert's "Great" C major Symphony, which D'Avalos took speedily, soberly - and just about metronomically. I have never heard a large Schubert work unrolled at such an unyielding pace: not even a tiny breath-pause, and the Scherzo run into its Trio without a hint of an altered pulse. It was a fascinating experiment, rather like hearing old Klemperer playing everything Adagio. Within this rigid format some evident care had been exercised in matters of phrasing and attack, and the violins achieved positively heroic definition all the way through the cruel finale (which was quite exciting). The general dynamic level was higher than need be, and even with quadruple woodwinds the oboes often seemed to be playing from offstage.

Erik Bulatov/Portikus, Frankfurt

Ernest Beck

THANKS TO *glasnost* and the financial support of the Zürich-based Soviet Bank For Foreign Trade, Western audiences hungry for all things Soviet can now see the first full scale exhibition – a retrospective covering a quarter of a century – of this long neglected painter. A well-known figure of the "unofficial," or underground, Moscow art world, Bulatov earns his living illustrating botany books since he has been banned from showing his work for almost thirty years.

It is easy to understand why: although Bulatov, who is 55, remains true to the school of Socialist Realism learned at Moscow's Surikov Art Institute, his monolithic pictures also contain sharp jabs of social criticism. Like the émigré Soviet painters Komar & Melamid, stark photo-realism is used as a ploy for parody which can vent aggression, frustration, or despair. But unlike his contemporaries who have fled to the West, Bulatov's image system is rooted in the mundane peculiarities of everyday life, not history, and are therefore more immediate. A street scene of a grimy industrial city, for example, becomes more than an objective image of reality; rather a philosophic interpretation by the painter who has placed a giant picture of Lenin in the centre as the workers trudge past.

"Unanimous" – one of Bulatov's most recent works

Bulatov has also not forsaken the images of sky, sea, snow, and trees so prevalent in traditional Russian painting. Yet he has transformed them into travel agency posters, static exaggerations of idealised situations. In "Mark of Quality" (1986), he has taken a common symbol – and placed it against a serene blue sky. Floating against billowy white clouds, the symbol defines the illusion of space and light, and seen against the perfectly handcrafted, limitless sky, becomes a highly ironic message to anyone familiar with the country's reputation for shoddy products.

A very recent painting from 1987, called "Unanimous," addresses the political situation more directly. Bulatov uses a newspaper photograph of Communist Party members electing a new leader – unanimously, of course – as the backdrop. The meticulously painted recreation shows his skill at photo-realism and the power it has to convey disjointed, surreal views: the figures become cardboard cut outs, faceless functionaries exercising rubber-stamp democracy. Almost obliterating the entire surface of the canvas is the word "unanimous" in Russian, in bright red letters, a mocking reference to the promised new pluralism and openness advocated by Mr Gorbachev.

Leonid Brezhnev is immortalised standing in front of what is alleged to be Crimea, although the scene was actually taken from a postcard of Lake Geneva. At first glance this could be another Stalinist-style personality cult glorification; but it is incorporeal, and the head and body don't fit, despite the heroic stance.

One earlier work from 1971 called "Red Horizon" has a breathtaking Zhivago-like sweep to it as a group of five people stride with great determination towards the seashore, where bathers and white breakers form an idealistic vision. But something is amiss: the new arrivals are wearing city clothes – drab black suits – and we only see their backs.

These 21 furtive, fugitive works long locked away in a Moscow studio are just a glimpse into Bulatov's complex artistic sensibility, and the entire creative output of a vital cultural underground. After three decades of being kept under wraps, it's exciting to take a look at what's going on, and one wonders what else there is to see. Perhaps Soviet citizens will be able to share in the discovery.

● *This exhibition was reviewed at its original venue at the Kunsthalle, Zürich. The exhibition there closed on February 28, but it is currently showing at the Portikus in Frankfurt, until April 24, and will then be shown at the Bonn Kunstverein and finally the Centre Pompidou in Paris.*

Pulitzer collection at the Fogg Museum

One of America's greatest collections of Modern Art, the Pulitzer Collection, will open at the Fogg Art Museum, Harvard University, from April 16 to June 12.

Nearly 100 major paintings, drawings and sculptures will be on show by artists such as Picasso, Monet, Gris, Klee, Miro, Degas, Matisse, Braque, Cezanne, Vuillard, Brancusi, Rothko, Pollock, Oldenberg and Warhol.

'Cardus on music...'

CARDUS ON MUSIC, A CENTENARY COLLECTION
edited by Donald Wright. Hamish Hamilton, pp 336, £16.95

You would have to search wide to find writing of Neville Cardus's quality in newspapers today. As he observes in a piece called "A Writer's Craft" (1947) from this centenary compilation of (mainly) his Manchester Guardian musical articles: "I suppose it is no longer fashionable for authors and journalists consciously to *write*."

One of C. P. Scott's young "MG" men, he himself began writing under the auspices of such orotund stylists as C. E. Montague, the paper's drama critic, and Samuel Langford, its mystical, oracular music critic, whose work he reverently anthologized in 1929, having stepped into his late mentor's shoes. The climate of the "MG" favoured eloquence over topicality and erudition over wit. Cardus was fortunately never so vatic as his predecessor, and with what must have been construed as modernism, injected a great deal of wit and humour into his columns. But he never lost sight of the established ideals of prose. "Those of us trained in the old school which encouraged a risky flourish of words find it difficult to conform to the telegraphese of today," he complained.

Cardus writes more beautifully on music than almost anyone before or since. He has not the bravura and rhythmic subtlety and sheer compulsive fascination of Shaw, nor the intellectual brilliance of Tovey and Charles Rosen, nor the omniscience of Ernest Newman, but for evocative beauty and suppleness of argument his writing is unmatched. Newman called him a "sensitised palate," and Cardus eventually took it as a compliment. With an enormous gift for enjoying life, which he sometimes mistook for poetic aptitude, he surrendered himself to music "as a lover to his mistress" and was superbly well-equipped for that "recollection in comparative sanity of what happened to one while under the spell" which he considered the proper business of criticism. At his best he has a smack of Hazlitt about him.

In his *Autobiography* (1947) – a golden production from which those phrases are taken (Donald Wright includes the relevant passage) – Cardus spelt out the Manchester Guardian philosophy of reviewing: "The music is the thing; the performers are mentioned only insofar as they absorb themselves and forget themselves in the general creative process. . .The music critic is not a teacher. . .his entire concern should be with his aesthetic reactions. . ."

This is a refreshing and accurate view; but Cardus in his own notices does not, like Samuel Langford, exclusively expatiate on the eternal verities of the art. He invariably transmits a keen awareness of the character and distinction of the performers whose concert he is reviewing, while never descending from the criticism of music (that is, of composers) to the nit-picking of the professional score-reader or the backing of musical horses.

Mr Wright's selection is very serviceable, though biased strongly toward the symphonic repertoire. (And he abridges constantly without stating an editorial policy.) The first section, "Cardus the Mancunian," is pure delight. Cardus on Berlioz is impressively defensive. He quickly got the point of both Bruckner and Mahler, though initially doubtful. He is predictably marvellous on Beecham; and can claim credit for being one of the first to spot Reginald Goodall's Wagnerian gift. He was not dazzled by Karajan (who "worries me as an interpreter; he tends to endow all composers with the same sound").

In all, it is a rich bouquet of unyellowed opinions, a vindication of the critic as celebrant. And it contains one splendidly Mancunian misprint: "I ave [sic] seen Beecham's baton fly from his grip high into the orchestral empyrean." That is surely the voice of Cardus.

Paul Driver

Arts Guide

April 1-7

Theatre

LONDON

The Best of Friends (Apollo). John Gielgud makes probably the last appearance on the London stage as Sir Sydney Cockerell, a museum curator and friend of Shaw (Ray McAnally) and a remarkable abbess (Rosemary Harris). (437 2663, CC 434 3598).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven failing to wash the boyfriend Emile Belcourt out of her hair.

Shirley Valentine (Vaudeville). Pauline Collins in first and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Crete. Shades of Saucy Nora and Beckett's Winnie, with jokes. (836 9987, CC 379 4444).

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, CC 379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City of London comedy for champagne-swilling yuppies: how the Big Bang led to clean tumult and barrow-boy dealings on the Stock Exchange. (836 3028, CC 379 6565).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with the powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is still a sell-out, visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as emotions rather than emotions. (239 6200).

Les Misérables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, this magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation, with its spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated lendnesses in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her Tony-award winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 26. (254 3670).

The Mystery of Edwin Drood (Kennedy Center Opera House). The Broadway hit musical based on Dickens' unfinished novel features the music of Rupert Holmes for which the pop composer won a Tony. Ends May 1. (254 3770).

TOKYO

West Side Story (Koseinenkin Hall). Three decades on, Leonard Bernstein's score and Jerome Robbins' choreography are as vibrant and dynamic as ever. In English, this production features the cast from a recent revival on Broadway. Ends Apr 13. (407 8155).

Big River (Aoyama Theatre). Musical version of Huckleberry Finn. Jim is played by Ron Richardson, from the Broadway production, who has learnt Japanese for his role. The songs, however, are sung in English – so Hiroyuki Sanada (Huck) and the rest of the Japanese cast have also faced something of a challenge in preparing for the performances. (797 5678).

Yamato Takeru (Shimbashi Enbujo). This staggeringly successful "super kabuki" production by the kabuki theatre's greatest showman, Ichikawa Ennosuke, has already broken all the records that a new show can possibly break in Japan. The story is based on one of Japan's oldest legends but it has important thus the extrovert and highly theatrical bag of tricks that Ennosuke has concocted to make kabuki more appealing to a generation that has grown up on rock music and action movies. (541 2211).

Kabuki (Kabuki-za) Kana Dehon Chushingura – the story of the 47 loyal retainers, one of the most famous events in Japanese history. In two parts, at 11am and 4pm. For those with little time at their disposable, tickets are available (on the day only) for a single act.

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Paternalism and pensions

TODAY MARKS a revolution of sorts in British pension provision. The implementation of the 1986 Social Security Act means that employers will no longer be able to make membership of company pension schemes a condition of employment. Employees are free to make their own arrangements and, from July, will be able to purchase "personal portable pensions" from a range of financial institutions. The Government is simultaneously cutting back the benefits of the state earnings related pension scheme (Serps) and offering members a financial incentive to go private. The legislative changes are intended to widen individual choice and form part of the drive to create a "popular capitalism".

Financial penalty

It is doubtful, however, whether personal pensions will take off in the way intended by the Government. The half of the working population already in company pension schemes will face a considerable financial penalty if they opt for personal plans. More than 99 per cent of a sample of companies polled by the Confederation of British Industry say they will not contribute to personal pensions; employees opting out will thus lose employers' pension contributions worth anything from 5 to 20 per cent of salary. Many employers are also warning that employees will lose death in service cover and disability insurance if they make their own arrangements.

The half of the working population not in corporate schemes might seem easier targets for purveyors of personal plans. The cutbacks in Serps, which used to operate as a sort of poor man's occupational scheme, mean that male members will have to work 49 years in order to qualify for a pension of only one-fifth of their average earnings. In other words, it is now impossible to qualify for an adequate state pension. But the fact that such lower-paid employees need extra cover does not mean they will make adequate arrangements of their own. Myopia has always been a fact of life in retirement provision. Personal pensions will not be obligatory and many who find it hard to make ends meet in the present will opt to let the future take care of itself.

In any case, personal pensions have many drawbacks. Unlike state and company schemes, benefits are not linked to final salaries. Living standards in old age thus depend entirely on the size of annuity that can be purchased on retirement with the proceeds of the invested contributions. Nobody needs reminding of the volatility of financial markets in the wake of last October's stock-market crash or of the unpredictability of future annuity rates. In addition to offering an uncertain return, personal pensions are administratively expensive, when compared with either Serps or company schemes, both of which achieve significant economies of scale. Transactions costs become more burdensome the cheaper the plan purchased, which is why personal pensions are an expensive way to provide security in old age for the low paid.

Companies' reluctance to support personal pensions may surprise ministers. Surely employers should want to shift responsibility for pensions to employees? Such a view perhaps underestimates the genuine concern many companies feel for retired employees. The fear is that if many younger workers are permitted to opt out the viability of the schemes will be undermined, with damaging consequences for everybody in the longer run (many of the young executives who today think personal plans make good sense may be seeking the security of final salary schemes in their 50s). In a free labour market, companies ought to be able to offer whatever reasonable conditions of employment they choose. Nobody has ever been forced to accept a job with a company offering generous pension benefits.

Risky alternative

The fundamental purpose of pensions must be to provide security in old age – as cheaply and efficiently as possible. The Government's reforms score poorly on this criterion, not least because they have been motivated by extraneous objectives, such as wider share ownership. Instead of acting to remove the remaining rigidities of company schemes, the Government is offering a risky alternative that few may find palatable. At the bottom end, the attempt to substitute personal pensions for Serps may merely result in greater calls on the taxpayer in the next century. These reforms will be far from the last word on pensions.

Omens for the US trade bill

AFTER a pre-Easter scramble to reconcile differences between the House and the Senate, the debate on trade legislation in the US Congress is now nearing its climax. The signs are that the bill which emerges is likely to be less protectionist than many originally feared.

Yet it would be wrong for America's trading partners to jump to the conclusion that their worries are over just because the controversial Gephardt amendment calling for sanctions against Japan and other countries in surplus with the US has been dropped. Though Congress expects to vote on the bill some two weeks from now, the final outcome is still an open question.

Objectionable clauses

Political pressure for protectionism began to dissipate in the US after the stock market crash of last October. Now it has abated considerably thanks in part to improved trade figures and the failure of Mr Richard Gephardt to make a significant mark in the primary elections.

The trade bill still contains several objectionable clauses, however, such as that which would impose sanctions against Toshiba of Japan and Kongsberg Vaapenfabrik of Norway for selling advanced technology to the Soviet Union. The Administration has said it may veto the bill unless these clauses are removed. Until quite recently many Democrats believed trade could be a key issue for this year's Presidential elections. By writing a bill that would inevitably attract a veto and allowing the veto to be sustained, the Democrat-controlled Congress could have ensured that trade remained a live election issue.

Now, with the demise of Mr Gephardt as a candidate, the balance has changed. When Congress returns from its Easter recess next week, the Administration will seek to ensure that the remaining clauses to which it objects are removed.

The risk is that it will be only partially successful. The bill which emerges might still tend to legitimise a more protectionist trade policy, but a veto would be hard to sustain in part because of the more moderate language.

Several of the Administration's remaining objections to the bill have little or nothing to do with trade policy in its purest sense. The requirement for business to give 60-days advance notice of plant closings is a case in point. But some clauses would be irksome to international trading partners, including any registration requirement for foreign investments as well as a mooted provision to prevent foreign companies setting up as primary dealers in US government securities unless US firms are granted similar access to their home markets.

The danger remains that the bill will still contain protectionist wording that circumscribes Presidential discretion in the exercise of trade policy, making action against trading partners accused of malpractice more automatic than hitherto, particularly under Section 301 of the trade law which deals with restrictive practices in foreign markets.

The Senate's alternative to the Gephardt amendment is still in place, and is now expected to feature in the bill. It represents a marked toughening of existing law. Elsewhere there are worries about points of detail, such as the strengthening of rules allowing US companies to seek redress against foreign infringement of their patent rights.

Small print

A trade bill is important to the Administration because it will bestow authority to negotiate in the Uruguay round of multilateral trade liberalisation talks in Geneva. Technically, such authority is only needed for the final stages of the talks but it is becoming psychologically more important ahead of the mid-term review of the Uruguay round in Montreal this December.

How far the Administration is willing to yield its discretion in trade matters to obtain this authorisation will only become clear once the small print of the bill is complete. Though the omens are looking better, the story is still far from over.

The time bomb ticks away

Anatole Kaletsky analyses the regulatory weaknesses which have led to 1,000 US bank failures in six years

SINCE 1982, the US has enjoyed its longest period of peace-time prosperity. In those six years, American savers have been bailed out by government guarantees in 620 bank failures and forced mergers. About 100 savings and loan institutions, which specialise in mortgage finance, have been wound up and 350 others have been officially declared insolvent. Nearly $200bn of depositors' savings have had to be secured by federal agencies. These thousand-odd banking failures have involved 7 per cent of the total $3,000bn domestic deposits in US savings institutions. And almost everyone agrees that the worst part of the financial unravelling has only just begun.

The failures have been multiplying yearly since the beginning of the decade and the scale of the bail-outs has grown apace. A climax may have been reached in last month's sweeping guarantee for First RepublicBank in Texas and Financial Corporation of America, two of the biggest financial institutions in the US, with about $32bn (£17bn) of deposits each.

But 200 more banks have already been pinpointed by regulators for almost certain closure, while at least another 100 of the gloriously misnamed "thrift" institutions have been identified as likely to become insolvent within the next 12 months.

The Federal Deposit Insurance Corporation (FDIC), which guarantees commercial bank deposits up to $100,000, will probably be able to meet its commitments through levies on its bank customers, but the Federal Savings and Loan Insurance Corporation (FSLIC) has already run through its normal funds. Congress last year approved a makeshift $10.8bn loan for FSLIC (pronounced fizz-lick) but this was just a finger in a very leaky dyke.

Estimates of the ultimate cost of rescuing the bankrupt institutions range from $30bn to $80bn or more. All this, of course, is after six years of economic prosperity. None of the experts – in the US Treasury, the Federal Reserve Board or even among the private financial analysts – cares to speculate about how many more banks might fall in the 1980s and 1990s if the economy falls into deep recession.

"The Texans don't believe that they have been in an economic boom for the last five years," says Mr Danny Wall, chairman of the Federal Home Loan Bank Board (FHLBB). "How much worse could their economy get?" Unfortunately, "much worse" is the answer. If a deep recession were to hit the rest of the country, Texas would have to say goodbye to the rapid growth of its service and high-tech industries, in addition to facing the likelihood of a further oil price collapse. Banks are not supposed to fail even in economic downturns. If they do, recession should be viewed as a catalyst, not a cause.

But if some of the official analysis seems too complacent, extreme pessimism about the American financial system may not be justified, either. Bank failures are not about to paralyse the Federal Reserve Board's monetary policy or to swell the US Government's budget deficit to crisis proportions. The truth, as usual, lies somewhere between Cassandra and Pangloss.

The crumbling of nearly 10 per cent of the US banking system, followed by creeping nationalisation, has been one of the most paradoxical legacies of the Reagan era. The chances are that, like the Third World debt crisis, the domestic banking debacle will be a time bomb that ticks alarmingly and loudly, but never quite goes off.

There seem to be four main ingredients in the US banks' troubles: fragmentation, deregulation, lax supervision and the "moral hazard" of government guarantees.

Fragmentation goes a long way towards explaining why bank failures are so much more common in the US than in any other advanced country. If the US had a mere handful of independent banks, like Britain, instead of 14,400, it is extremely unlikely that any of them would have come near to failing. Small banks run greater risks than large ones if they do not diversify their lending and deposit taking. These risks are worse if geographical expansion is tightly restricted, as in much of the US.

While many Americans believe that fragmented, localised banking has made an important contribution to the dynamism of the country's small businesses, the laws have gone much too far in protecting small banks from competition. One of the few benefits of the spate of financial failures is that they could frighten politicians into moving faster towards the abolition of the anachronistic curbs on interstate and branch banking.

The danger, however, is that the politicians will concentrate on doing away with the wrong regulations. The preoccupation in Congress is with letting banks into the securities industry, which may end up increasing the risks to the system, rather than speeding up interstate banking.

Two types of deregulation in the early 1980s transformed the US financial landscape and caused most of the subsequent distress for the banks and thrifts. The abolition of regulated ceilings on interest rates paid to depositors made many US mortgage lending institutions technically insolvent because it meant they were funding long-term fixed rate mortgages with expensive floating interest rate deposits.

Few people would complain, however, that freeing interest rates was a mistake, since it was also a necessary condition for the taming of inflation by the Federal Reserve. The new powers granted to savings and loan institutions by the 1982 Competitive Equality Banking Act were another matter.

Not only did this act allow thrifts to continue operating with no capital. It also encouraged them to convert from mutual into private corporate ownership and allowed them to engage in extremely risky businesses, like equity ownership of commercial developments.

The result, according to Mr Irvine Sprague, the FDIC's chairman for most of the 1970s and early 1980s, was that the thrifts "went completely wild." Or, as a senior Federal Reserve official puts it: "The thrift industry in Texas was just a scandal. It was the speculative and fraudulent behaviour of the thrifts that turned the Texas real estate market into a pure bubble. The banks thought they were being conservative and they were getting triple A ratings from the private credit agencies. But they were being relatively cautious in a market that was already insane."

But how did the thrifts get away for years with the sort of blatant excesses which everybody is now denouncing? This raises the issue of supervision.

"The federal regulatory system is one that no sane person would design," says Mr Sprague in his book about the FDIC, Bailout*. The bizarre web of interweaving and conflicting jurisdictions, illustrated in the diagram, gives three different sets of supervisors some authority over most banking businesses, without any of them having overall control.

Thus, the Comptroller of the Currency supervises national banks, while the Federal Reserve examines state chartered banks and national bank holding companies. The FDIC covers several thousand state chartered banks which do not belong to the Federal Reserve system. In addition, state banking commissioners have powers over state chartered institutions, while even the national banks have to operate within the framework of their home states' banking laws.

Meanwhile, the savings and loan industry has a separate supervisory and insurance system, run by the FHLBB and FSLIC, its insurance subsidiary, as well as state bodies. If all this sounds confusing, Mr Sprague insists that "this maze of jurisdictional lines is a symbol of clarity compared to what really happens." It is hardly surprising that no official agency feels obliged to accept responsibility for any questionable decision – like last year's approval of the ill-fated merger between the InterFirst and Republic banks in Dallas.

However, in the early 1980s, supervisory problems went well beyond the standard bureaucratic battles over turf. The banking authorities decided to ease up on detailed supervision. "There was a feeling that since the industry was trying to deregulate, you didn't need as much detailed supervision. We thought the market could do more of the supervising," says Mr William Seidman, the FDIC chairman.

In deference to the spirit of deregulation and in response to the cost-saving opportunities of computer technology, the FDIC, the Fed and the Comptroller cut their examination staff by between 20 and 25 per cent from 1979 to 1984. In the savings and loan industry, the regulatory self-restraint took more extreme and ultimately pernicious forms. For years prior to deregulation, the FHLBB had functioned more as a lobbyist than as a supervisor for the thrifts.

In part the close relationship between the industry and its regulators was attributable to the simple, safe and non-controversial nature of traditional mortgage lending business. In part it was undoubtedly due to the thrifts' political connections, particularly with Mr Fernand St Germain, chairman of the House of Representatives' banking committee, and Mr Jim Wright, Texas Congressman and now the House Speaker.

A senior Fed official puts it bluntly: "The FHLBB was a disaster. It was an industry controlled organisation and was required to keep its hands off. The industry was totally successful in influencing the Congress and the White House, not only in getting the legislation it wanted, but also in putting its own people on to the FHLBB."

Today, of course, bank supervision is no longer a dirty word and Mr Wall of the FHLBB boasts that he has more than doubled his examination staff to 2,400. The FDIC, the Fed and the Comptroller are also hiring aggressively and have raised their staffing to the levels of the late 1970s. But this may be inadequate under today's circumstances because the debacles of the last five years have created a new and insidious factor – moral hazard.

This is the temptation for bank managements to gamble with deposits insured by the federal government. Because of FDIC and FSLIC insurance, depositors have no incentive to worry about the safety of the banks in which they leave their money. That in turn means that banks can take unconscionable risks with depositors' funds.

When shareholders have substantial equity to lose if a bank's lending policies go wrong, moral hazard may be a theoretical problem. But if an institution which has already exhausted most of its shareholders' funds is allowed to stay open, the hazard becomes very real. The managers and shareholders have every incentive to gamble with their depositors' funds. If the gamble succeeds, the profits go to the shareholders. If the dice roll the wrong way, the shareholders, whose investment in the bank is practically worthless, will simply pass on the losses to the depositors and ultimately to the government-guaranteed insurance funds.

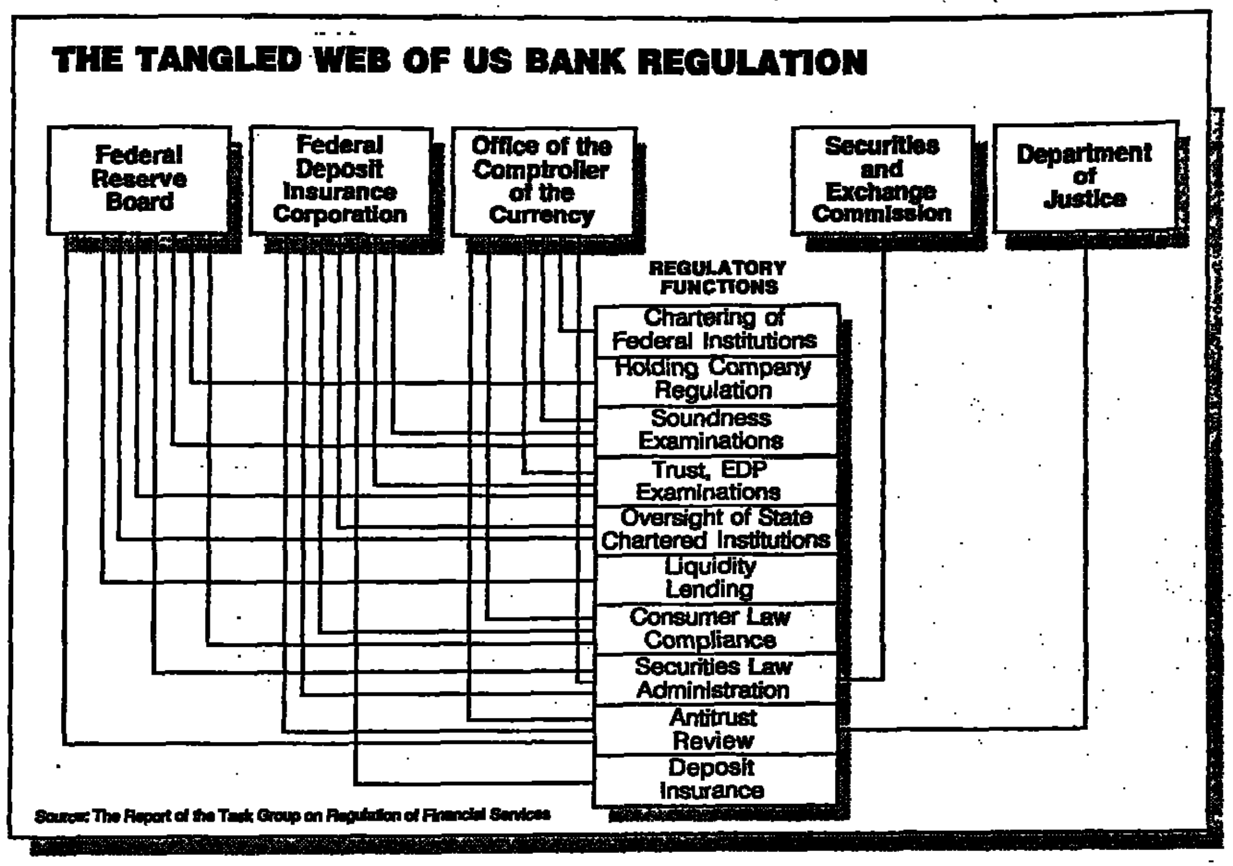
The fact that hundreds of banks and thrifts in America are trading today in the knowledge that they are insolvent poses a big threat to the integrity of the financial system. Nevertheless, the government insurance funds have chosen to extend their umbrella beyond the $100,000 limit and to allow insolvent institutions to stay in business for one simple reason – money.

"The FDIC believes that it is generally cheaper to keep a bank going while seeking a well capitalised merger partner. FSLIC has a more pressing financial incentive. It simply does not have the money to pay off the insured depositors if it liquidates all of the insolvent thrifts. Instead FSLIC is following a gradual approach, liquidating an average of one thrift a week and trying to organise a series of financial restructurings among these institutions in Texas. At this rate, FSLIC estimates that its current resources will last for two and a half years, by which time Congress may have made up its mind over who should pay for the rest of the bail-outs.

Thus, hundreds of "brain-dead" institutions will be kept half alive indefinitely with FSLIC's assistance, bidding for federally guaranteed deposits. Meanwhile, their losses will continue to mount, as their foreclosed properties stay unoccupied and dud mortgages remain unpaid. Unless a buyer emerges soon for First Republic, a new breed of zombie banks may soon be joining them to roam the financial markets. These zombie institutions will not necessarily undermine confidence in the US economy. At least until the next strong economic upswing, the credit of the federal government will be the main foundation for the stability of the nation's financial system. However, even the US Government's credit might not be good enough to satisfy investors, especially in the event of a recession, if there were no evidence that longer-term repair work on the tottering structure of US banking was in hand.

* *Bailout, by Irvine Sprague, Basic Books, New York.*

THE TANGLED WEB OF US BANK REGULATION



Source: The Report of the Task Group on Regulation of Financial Services

OBSERVER

Farewell to Miss Dunn

■Lydia Dunn, long regarded internationally as Hong Kong's first lady, married secretly last Saturday, ending a year of speculation about her long-standing relationship with Michael Thomas, the territory's outgoing Attorney General.

The two are Hong Kong's most powerful political duo, though changes afoot raise questions over how long that will continue.

Lydia Thomas – as she now is – won special permission from Sir David Wilson, the Hong Kong Governor, for an exemption from announcing the marriage in advance. The couple married at Fanling Lodge, the Governor's private weekend residence close to the Chinese border, with only immediate family present.

The former Miss Dunn won admiration both in Hong Kong and Britain in 1984 when she championed the territory's cause in the negotiations over its future after 1997. Since then, as head of the Legislative Council (Legco), Hong Kong's law-making body, she has fought to preserve its traditions of consensus politics.

Her failure to do so, as firebrands like Martin Lee have brought confrontation into the Legco chamber, has made her a more tentative figure. She is expected soon to withdraw from the public political arena to succeed Sir S Y Chung as head of the executive council, effectively Wilson's inner cabinet.

Although Mrs Thomas has the ear of a number of ministers in Mrs Thatcher's Government, she has reason to feel that her days as a political leader in Hong Kong are numbered. Beijing eyes her as a British "plant" and is unlikely to find a significant role for her after 1997. She has said recently that her civic duties have disrupted her career as an executive with Swire Pacific in Hong Kong and may now be keen to give more time to her job.

Michael Thomas had been her constant companion over most of his five years as Attorney General. His decision to resign and go into private legal practice in Hong Kong has stirred controversy at a time when a number of senior civil servants have sought private sector work. One reason is that localisation policies ahead of 1997 offer expatriates declining opportunities in Government.

French Canadian

■The Tour de France, the world's greatest bicycle race, has been starting anywhere but in France in recent years. Last year the initial stages were in West Berlin as part of the city's 750th anniversary celebrations.

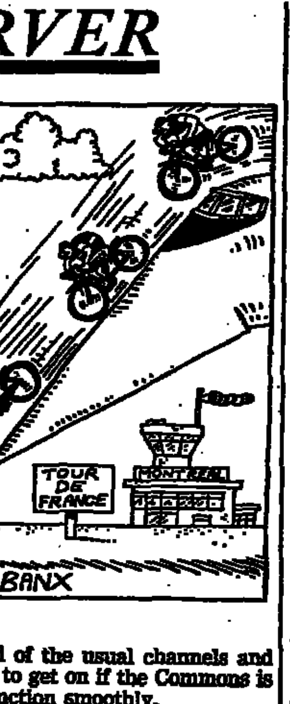
Negotiations are now at an advanced stage to take the race across the Atlantic to Montreal in 1992. Two or three stages would be held in Canada. Competitors would then be whisked back to Europe (probably in a chartered Concorde) for the remainder of the contest. The date coincides with Montreal's 350th anniversary.

Toronto is also trying to get into the act. A proposal is under discussion whereby the race would begin in the shadow of the Niagara Falls before proceeding to Toronto and finally to Montreal.

Box populi

■The House of Commons vote two months ago in favour of televising its proceedings has proved to be only the beginning of the affair. It took until last week to set up the 20-strong Select Committee to consider the practical implications.

The rows which caused the delay are not going to disappear and there are underlying personality clashes. The key problem is the increasingly abrasive relationship between John Wakeham, the Leader of the Commons, and Frank Dobson, his Labour shadow, both of whom are on the Committee. These two men, with the Whips, form the mysterious



world of the usual channels and have to get on if the Commons is to function smoothly.

They have recently clashed publicly with Dobson asking whether Wakeham was accusing him of going back on agreements, the ultimate sin for party managers. He was not, but the suspicions were clear. Dobson thinks Wakeham wants to delay the exercise. Yet, while Wakeham voted against the experiment, he has ruled out obstructive tactics and says all on the Committee should try and make it work.

The balance of pros and antis on the Committee is 11 to 9, but this is not a good guide to what will happen since many concerns about editorial control and disruption cut across such divides.

Wakeham has to take account of the suspicions of many on his own side – not least the Prime Minister – about the broadcasting authorities. There are worries about what will be shown and whether stunts by the Labour left will be encouraged. Hence there is pressure from both pros and antis for strong ground rules, and for control of the cameras to be taken away from the BBC and ITN, with either a special Parliamentary Television Unit or independent producers.

One old lesson is already clear: Parliament is absolutely useless at reforming its own proceedings.

Mecham's fall

■Arizona politics have always had a whiff of the Wild West, and rarely more so than with Evan Mecham who this week became the first US Governor to be impeached and removed from office in 59 years.

A former Pontiac car salesman and Mormon millionaire, Mecham ran for Governor five times before being elected in 1986 on a conservative Republican ticket. Within three months, his scabrous manner and unabashed cronyism had alienated most sections of public opinion in the cactus state. He upset Jews by calling America a Christian nation and enraged blacks by revoking a national holiday honouring Martin Luther King.

Mecham's downfall came when a grand jury indicted him on charges of concealing a $350,000 loan from an Arizona land developer during his 1986 campaign. The indictment paved the way for six weeks of impeachment hearings in the Arizona Senate which ended on Monday with a conviction on charges of obstruction of justice and illegally transferring $80,000 from the Governor's office as a loan to his struggling car dealership.

Mecham is only the eighth US Governor to be convicted on impeachment charges, the last being Henry Johnson of Oklahoma in 1929. His chances of a political comeback are slim: although the Senate failed by three votes to disqualify him from running for public office in Arizona again, he faces a criminal trial later this month on six charges.

Useful note

■ Milkman, please do not leave any milk this week, otherwise burglars will know we are away.

Ian Rodger examines how the Japanese steel industry has engineered a remarkable return to profit

Forging the future out of depression

JAPAN'S STEEL INDUSTRY, which a year ago seemed to be headed down the same dreary path to financial and operational decay as most of its European and US counterparts, is making an unexpected, spectacular recovery. The big five integrated producers are all back in profit after suffering record combined operating losses of Y468bn ($3.6bn) in the 12 months ending in March 1987.

More important, they are now confident that despite the high yen and high Japanese labour costs they can regain their competitiveness with South Korean and other new low cost producers and hold it at least until the end of the century. "We are very surprised ourselves," an official at Kawasaki Steel says. "A year ago, we were all so depressed about the future."

The financial recovery has come about much more quickly than anyone expected, thanks to the buoyancy of the Japanese and world steel markets. Domestic prices on some products, especially construction steel, have doubled in the past year. Meanwhile, world demand for others is so strong that recently the Japanese have been able to force an overseas customer to make a deal in yen. Japanese steel production in 12 months ending in March 1988 was originally forecast to fall about 4.5 per cent to 92m tonnes, but it will probably reach 101m tonnes, up nearly 5 per cent from the previous year.

The operational turnaround – making the industry cost competitive with Korean and other producers – will take a little longer to achieve. However, it is already an object lesson in the rationalisation of mature industries. The Japanese steelmakers, having observed the failure of successive attempts to restructure the US and European steel industries, have realised that the key to success is to swallow your pride, cut more capacity than you think necessary and concentrate on improving both products and productivity.

Typically also, the Japanese have a long term goal in mind. They know that competitiveness is no longer a guarantee of success in the unstable world steel industry, so they are pushing ahead with ambitious diversification programmes. For example, Nippon Steel, Japan's and the world's largest steel producer, aims to reduce its dependence on steel from 80 per cent of turnover to 50 per cent by 1995.

All of this is a long way from the autumn of 1986 when Japan heard almost daily reports of the industry's crisis. Steel had been one of the pillars of Japan's postwar industrial success and was considered one of the most prestigious industries in which to work. However, the rapidly appreciating yen was driving away the industry's customers and its customers' customers, exposing the high cost of its benevolent management approach.

Suddenly, steelmakers were announcing big plant closures and thousands of redundancies and refusing to buy any more high cost Japanese coal. Nippon Steel alone decided to close five of its 12 blast furnaces, make 19,000 of its 65,000 workers redundant and reduce its capacity from 33m tonnes to 23m tonnes. Others followed, with similarly drastic restructuring programmes. If they are all carried out, the effective capacity of the five integrated producers will be cut by a fifth, to 67m tonnes, by 1990 and their combined workforce will tumble by a third to about 125,000.

When they drafted these programmes, most steelmakers said they expected to have to suffer through up to three years of financial losses until the fruits of the restructuring started to appear. Nippon Steel, for example, said early last year that it did not expect its steel business to come back into profit until the second half of fiscal 1988.

To the companies' surprise, the domestic steel market picked up substantially last year, thanks to the Government's policies for stimulating domestic demand. Higher home demand helped offset the rapid decline in exports that was being caused by the high yen. Prices of most products firmed and, by the summer, most producers were making money again.

Since then, the world market has also tightened, helping the Japanese industry preserve export markets. Some analysts have suggested that the Japanese steelmakers deliberately exaggerated the extent of their crisis in 1986 so that there would be no political opposition to the unprecedented retrenchment plans they wanted to carry out.

According to this view, the steelmakers were terrified that they would be obliged to take the slow approach that has ended up causing so much damage to many US and European producers. They felt that their only chance of survival was to seize the opportunity provided by the yen's rise to carry out major surgery.

Certainly it looks today as if the rationalisation programmes have been exaggerated. Recently, companies have actually had to postpone planned plant closures because of the strength of demand for their products. Japan's total steel output in January was 17 per cent higher than a year earlier. Also in January, Nippon Steel took advantage of the sellers' market to force Broken Hill Proprietary of Australia to pay for an order for hot rolled coils in yen. Others are expected to follow suit.

A Nippon Steel official acknowledged recently that the companies may have deliberately overstated their plight last year. However, a Kawasaki official disagreed. "We are too simple in our thinking for that. We are not like property dealers." He recalled that a year ago many analysts thought that the rationalisation programmes would prove inadequate and that another round of capacity cuts would have to be made in the early 1990s.

Whatever the case, the rationalisation is now well under way and the producers are all confident that it will produce the desired results. Last autumn, Nomura Research Institute published a study predicting that the Japanese integrated steelmakers would regain competitiveness with Pohang Iron and Steel (Posco) of Korea by 1990. According to NRI, Posco's costs of making hot rolled coil are now 12 per cent lower than those of the average Japanese integrated producer. This is mainly because of Posco's much lower labour costs and overheads, such as research and development expenditures.

NRI believes the labour cost gap will close significantly by 1990, largely due to the Japanese rationalisation programmes, but also because Korean wage rates are likely to go up faster than Japanese ones. Over the same period, Posco's depreciation charges will rise sharply because of the construction of its big Kwangyang works while Japanese depreciation costs will decline because of the plant closures. NRI concludes that the average cost of making hot rolled coil in Japan will be about 9 per cent lower than Posco's by 1990.

"I agree with that study entirely," says Mr Hirotsugu Miyazaki, general manager of operations planning and control at Nippon Kokan. "Our target is to be competitive in all products." However, he said the company would probably only succeed at at being competitive on average rather than on all products. Others are slightly more cautious, but generally agree with NRI's conclusions. "Our total production costs will be much closer to those of Posco than they are now," a Nippon Steel official said. Mr Takeshi Ioki, manager of the corporate planning and accounting department at Kawasaki, said: "We are not sure we can beat them on common products, but we should be very competitive on high technology products."

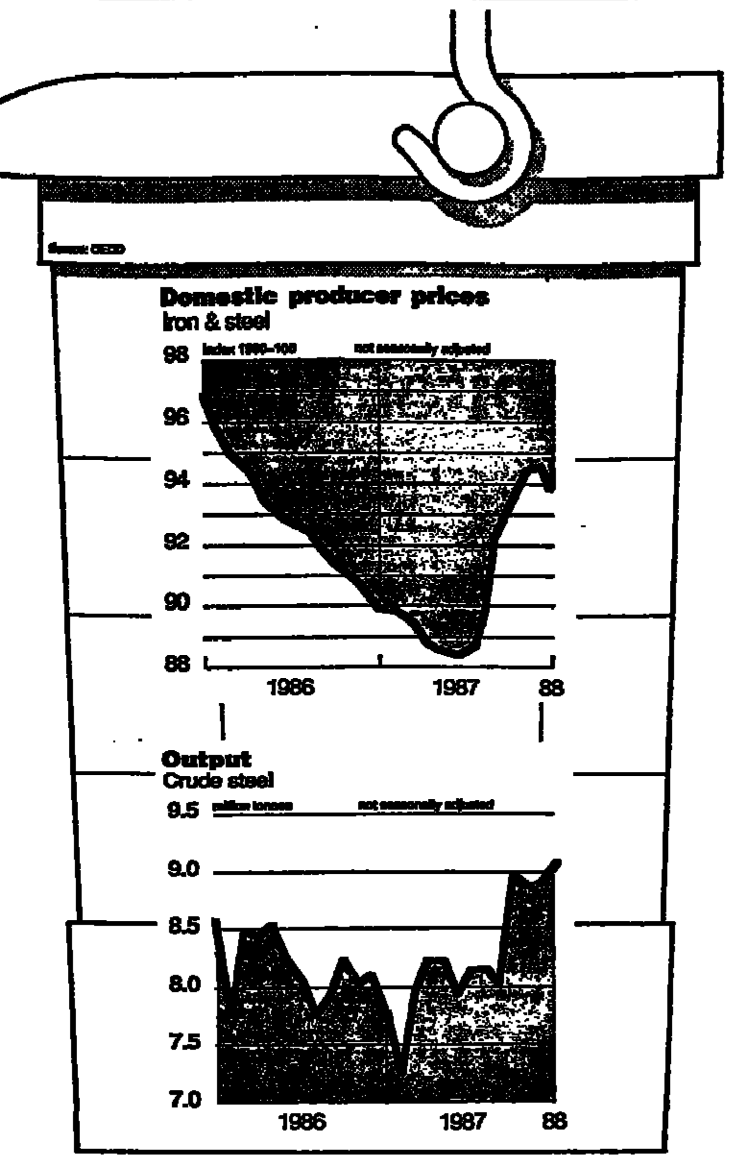
Not surprisingly, the Japanese producers are now focusing a good part of their substantial research and development efforts on maintaining their edge in high technology products, such as coated sheet, electrical steels, corrosion resistant pipe and high tensile plate. But they also continue to whittle away at production costs through the application of production automation, energy conservation programmes and the introduction of new, more economical processes, such as the hot rolling of thin slabs.

This renewed competitiveness does not mean that the Japanese will go back on the growth path, with dreams of becoming an even bigger force in world steel than they are now. The integrated companies will be well pleased if they can stop the erosion of their export sales, which tumbled 15 per cent last year to 26m tonnes, and fend off any big incursions into the domestic market by Posco and other growing steelmakers from neighbouring countries. Imports accounted for only about 6 per cent of 4m of the 64m tonnes of steel consumed in the Japanese market last year.

Beyond that, the companies have few ambitions in steel. They know that the era of rapid growth in the domestic market is over. The Japanese shipbuilding industry has declined and Japanese car and machinery makers are shifting production to overseas plants. Indeed, the outlook for steel demand in Japan would be quite bleak were it not for the recent revival of the construction and public works market.

Steelmakers also remain sceptical about the stability of the world steel industry over the medium and longer term because of chronic overcapacity, especially in Western Europe. Thus, even though they know that the attempts of some US and European steelmakers to diversify have proved disastrous, they are determined to follow that path. Most have already embarked on dozens of ventures in trendy sectors such as new materials, electronics and services; they all have excellent opportunities for redevelopment of redundant property.

Japan's steelmakers acknowledge that it will be several years before the fruits of these efforts will make a substantial impact on earnings. In the meantime it looks as if they will at least be able to hold their heads up in the world steel industry.



Exchange rate policy

Britain does best outside the EMS

By Alan Walters

IN RECENT articles, Samuel Brittan has made many claims about the European Monetary System, European inflation rates, unemployment, and the economic costs of Mrs Thatcher. In his article of March 10, Mr Brittan reiterates his claim that Mrs Thatcher's reluctance to join the exchange rate mechanism of the EMS will increase the probabilities of higher inflation and unemployment. This must be among the most absurd claims ever made in the FT.

In his article of March 24, producing a chart of the EMS currencies, Mr Brittan claims that the EMS has "had a great deal of success in narrowing inflation differentials." And he goes on to examine the reduction in inflation in France and Italy. Oddly enough, he does not comment on the fact that *his own graph* shows that the UK has had as large a drop in inflation as Italy, and much larger than France and Germany.

Had Mr Brittan plotted graphs or calculated regressions or simply looked at the figures for countries outside the EMS, he would have discovered that their reductions in inflation were just as *impressive as those in the EMS*. This applies both to non-European and European non-members of the EMS, as shown by a recent paper by Michele Fratianni*. Thus, Mr Brittan's claims for any special EMS effect are either groundless or perverse.

As an alternative, let us review the record. Mr Fratianni's analysis shows that unemployment has increased compared with the pre-EMS period; but the unemployment rate has increased rather more inside the EMS than outside. Indeed, one may contrast now the rapidly falling unemployment rates in Britain (or, until they reached their low of about 6 per cent, in the US) with the rising rates in France and other EMS countries. The EMS does not appear to have improved members' unemployment rates either relative to their own history or compared with those of non-EMS countries.

What about that touchstone of so many country comparisons – real growth? Fratianni's analysis shows that the EMS countries as a group suffered rather larger reductions in their growth rates than did non-EMS countries.

Now what of the proximate objectives of the EMS – exchange rate stability? There was certainly an increase in stability within the EMS currencies. But the stability within the EMS was outweighed by the increased instability of EMS countries with respect to non-EMS exchange rates, mainly the dollar, yen and sterling. The *total* variability of EMS currencies was about the same as that of non-EMS countries. Thus the lower intra-EMS variance was achieved only at the expense of higher variation with the outside currencies.

Finally, we might turn to recent British experience. In the three decades of 1950–1980, Britain had grown at roughly half the rate of Germany and France. Since emerging from the recession in 1981 or 1982, Britain has grown at about twice the rate of Germany and France. Growth of manufacturing productivity, which used to be less than half that of fellow Europeans, has been dramatically higher.

In sum, countries outside the exchange rate mechanism of the EMS – and particularly Britain – have outperformed both their own history and the miserable record of members of the EMS. Even on inflation, the result is a draw.

I do not thereby conclude that this *proves* that the EMS is poison. Britain's renaissance and German and French doldrums are clearly due partly, perhaps largely, to other causes. As I have explained elsewhere**, the compelling argument against any pseudo fixed exchange rate system is that, because of the enormous funds sloshing around in world capital markets, such rates cannot be held either by feasible amounts of intervention or acceptable monetary and fiscal policies. Surely the Louvre and Black Monday taught that lesson yet again. Mr Fratianni concluded that he could not see any reason at all why Britain should join the EMS, and I find it difficult to disagree.

The author is a professor at Johns Hopkins University, Maryland; since 1981, he has been personal economic adviser to the UK Prime Minister.

**"The European Monetary System: how well has it worked? Paper presented to Cato Institute conference, Washington DC, February 25 1988*

***Britain's Economic Renaissance: Margaret Thatcher's Reforms 1979-84, OUP, 1986.*

A shop closed more tightly

From Mr John Paul.

Sir, I read with some astonishment that the Prime Minister allegedly describes the television industry's "closed shop" as "the last bastion of trades union restrictive practice."

I believe that she may be suffering from amnesia. Surely a far greater bastion of restrictive practice – in fact one of such magnitude as to relegate the television closed shop to insignificance – is that of the dock labour scheme, whereby the competitiveness of most of this country's import and export trade is reduced in order to featherbed a small (but militant) clique.

May I ask when this sacred cow - the dock labour scheme - is to be slaughtered? To do so might, of course, provoke industrial action, but that in turn would kill the upward pressure on the pound.

John Paul,
High Croft,
South Woodchester, Gloucestershire

Low cost shipping supports more jobs

From Mr K.D. Shilleto.

Sir, As Mr. McQuillan (Letters, March 24) points out, low cost shipping, wherever built or flagged, is supportive of far more export dependent jobs in the EC than the 30,000 victims of European shipbuilding's decline. How much more sensible and forward looking for the Commission to encourage our defeated shipbuilders to invest in new, high technology yards in low wage economies, in much the same way that Japan transfers production overseas whenever an industry starts to suffer export decline through rising costs.

K.D. Shilleto,
2 Mulberry Close,
Beaufort Street, SW3

Letters to the Editor

Treasury forecasts may be too optimistic

From Mrs Bridget Rosewell

Sir, In the winter and spring of 1987 the consensus of the forecasts compiled by the UK Treasury showed an output forecast of 2.7 per cent (various measures) and a balance of payments deficit of £2.1bn. Our own forecast was slightly – but not much – better. Yet if we look at the outcome, growth on any measure was well above the consensus of the group, while the current account deficit was half that forecast.

Does this mean that the unease described by Philip Stephens (March 28), about overheating in the UK economy, should be allayed? I believe it does.

First, the January and February figures have no informational content whatsoever. Second, grossing up the second half statistics may not be very helpful. The seasonal pattern in trade statistics appears to have escaped the control of the statisticians. For the past few years, the second half has been very different from the first.

And if we look at 1987 as a whole the picture is quite healthy. The deterioration in visible trade occurred because of small movements in the balance on basic materials and finished manufactures, but mainly because of a tripling of the deficit on semi-manufactures - going into further processes in the UK, and creating extra output and jobs. The surge in consumer imports was just as marked in consumer exports.

At the same time there is plenty of anecdotal evidence to suggest that UK companies are better placed to survive exchange rate swings - both by reason of hedging policies and marketing strategies - than they used to be.

It is the traditional reaction of UK commentators to fear the demon deficit, and the consensus of forecasters suggests that the Chancellor is too optimistic to hope for a £4bn deficit this year. This maintains the deficit at about the level of the second half of 1987, while growth is forecast to slow down. Our own forecast is also in this region: but I believe the risks are as great that it could be smaller, as that it might be much larger.

Bridget Rosewell
Wharton Econometric Forecasting Associates,
Ebury Gate,
23 Lower Belgrave Street, SW1

Spokesmen entitled to a fair hearing

From Mr Chris Jones.

Sir, Your editorial on the Rover bid (March 30) states that "Labour's front bench spokesmen...find themselves taking up the cudgels on behalf of the taxpayers. *Not unnaturally*, in view of Labour's record in relation to the car group in the 1970s, this fails to convince."

Fails to convince whom? Labour industry spokesman Bryan Gould was a backbencher during the last Labour government – as, indeed, was Mr Kinnock. To blame either for the actions of the Wilson and Callaghan governments is neither sensible nor fair. Whatever they say, they say should be treated strictly on merit.

Chris Jones,
20 Wilberforce Road,
Sandgate,
Folkestone, Kent

Quantum is as quantum does...

From Mr John Shipperlee.

Sir, Christopher Dunkley graphically returns George Steiner from the excited orbit of "intellectual colossus" to the unexcited orbit of "ordinary mortals" (Television column, March 29).

The main characteristic of the "quantum" leap is that it requires input of a specific amount of energy at one point in time, and it is a leap of wholly specific size from one plane to another. The idiomatic use of quantum leap/jump carries overtones of this sharp jump to a new level, as opposed to a gradual change.

In most general uses of the phrase, this concept of significant and sudden change is the one intended; a much less remarkable attribute of the physical reality of electron excitation in quanta is that it is also the minimum excitation level.

I cannot claim that Mr Dunkley's "single linguistic solecism" transforms my perception of his image, but I should be interested to know whether he would like to reconsider Professor Steiner's position. Indeed, Mr Dunkley's description of the use of the phrase as "that single, simple and very common error" makes me ask him to reveal the source and authority for his interpretation of this particular idiom; or more pointedly – with the error being so common – who is in step and who is out of step?

John Shipperlee,
Hurst Lodge,
Sandgate Lane,
Storrington,
Pulborough, West Sussex

PS: To pre-empt any further rape of scientific terminology I would consider it quite inappropriate if Mr. Dunkley tried to invoke the Heisenberg Uncertainty Principle in support of the configuration which he has advanced.

There could be a single point-of-sale terminal accepting all cards

From Mr Jürgen Aumüller.

Sir, Having been away on a business trip, I was not earlier able to respond to your article on cross-European usage of payment cards (March 7). Although the article was generally well-informed, the reference to American Express betrayed a misunderstanding of our position towards the European banks' accord.

American Express has offered payment and other services across Europe for over 100 years. We now employ 8,000 European citizens to deliver those services. With over 3m European cardmembers, as well as countless other customers for travellers' cheques, travel agency, banking, and investment services, we offer pan-European facilities whose scale and scope is unmatched by any other single operator.

We have built in our own right one of the most extensive payment networks in Europe. It is no more than a simple truism to say that American Express "has not contributed to the building of the Visa and Eurocard networks." Nor have they contributed to the building of ours. It is an historical fact that several different European networks have been constructed, one of which is ours.

It is also historically the case that American Express has pursued a policy of readiness to share its network with its competitors. We have contributed strongly to co-operative developments in the field of European payments. We are one of the leaders in collaborative efforts, in several European countries, to offer retailers a single point-of-sale terminal accepting all cards, avoiding expensive and inconvenient duplication.

In all the areas of our business we are enthusiastic supporters of the European internal market. For payment cards the goal is "inter-operability": open, non-discriminatory access to infrastructure and interconnecting electronic networks. We will therefore support an accord among *all* card issuers - not just banks - whose aim is to have co-operation on payment *networks* while allowing full rein to competition at the level of *services provided*. We cannot subscribe to the present accord put forward by the European Council for Payment Systems because it does not meet this pro-competitive criterion. We do not wish to scotch co-operation - far from it - but we are certainly opposed to exclusive clubs.

J. Aumüller,
American Express Europe,
Windsor House,
50 Victoria Street, SW1

FINANCIAL TIMES

Wednesday April 6 1988

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Janet Bush in Washington reports on talks aimed at preventing another stock market crash

Cat and mouse on Capitol Hill

"I HOPE I am wrong, but it is difficult not to conclude that the Administration is attempting to run out the clock on these issues. It would appear that the White House is ignoring its own Presidential Commission report, that it wants no legislation whatsoever on market reform.

"Otherwise, the independent regulatory agencies, together with the Administration, are simply incapable of devising any plan whatsoever for better co-ordinating our markets on a timely basis. In that event, Congress should act."

This fighting talk came from Senator William Proxmire, chairman of the US Senate Banking Committee, at the beginning of last week's latest Congressional hearings on possible legislative initiatives designed to prevent another stock market collapse.

His words give some idea of the frustration felt in Congress about what it sees as lack of concrete action in response to the events of last October. They also provide something of an insight into the rapid politicisation of the process of conducting post-mortems on the crash.

The official reason for last Thursday's attendance before the committee of the chairmen of the US Federal Reserve, the Securities and Exchange Commission and the Commodity Futures Trading Commission was for a review of proposals for post-crash legislation. The real motivation behind the hearings appears to have been more rhetorical.

The SEC and the Fed have not come up with legislative proposals for consideration by the committee because, as their chairmen pleaded in response to Senator Proxmire's criticism, these would pre-empt the discussions of the working party set up by President Reagan to review possible action. The CFTC has maintained consistently that it opposes new regulation and got off lightly last Thursday.

The Reagan working party has

William Proxmire: Frustrated by lack of concrete action.

been asked to report its progress after 60 days – on May 19. The group comprises the main regulators and is officially chaired by Mr James Baker, US Treasury Secretary.

The Senate Banking Committee and the Administration seem to have been playing cat and mouse for weeks. A chronology of events provides evidence of the tensions between the two bodies.

The Senate Banking Committee started drawing up a bill some weeks ago which would set up by law a super agency comprising the SEC, the Fed and the CFTC which would be required to co-ordinate policy on clearing and settlement, harmonising margins, formulating circuit breakers and a number of other areas discussed fully in the many official reviews of the crash.

Word then leaked out to the committee that a working party was being formed. The Senate Banking Committee believed the motivation was to counter its own legislative efforts.

In a bid to pin the working group down, Senator Proxmire is believed to have sent a letter to the White House which pressured the Administration into announcing the 60-day time limit.

Last Thursday, in the last stage so far of what one Congressional aide called "timing games" between the committee and the Administration, Senator Proxmire officially unveiled his Intermarket Co-ordination Act and used the occasion of the hearings to ask for comments from the three chairmen. Predictably, all three felt legislation to set up a super agency would unnecessarily pre-empt the discussions of the working group.

There is a prevalent view in Washington that the working party was indeed set up in an attempt to stall Congressional efforts to pass legislation which would co-ordinate policy between different market segments and establish various measures to dampen price volatility.

The Administration's tactics are known in Washington as the "slow-down strategy." As evidence that the business of the working party is not serious, one aide cited the fact that Mr Baker, who is rumoured to be preparing to step down to run Vice President George Bush's presidential campaign, is taking little part in the proceedings but has designated Mr George Gould, Treasury Under-Secretary for Finance, as his permanent stand-in.

The Administration's reported reluctance to legislate could be traced to several factors. First, the Reagan Administration is opposed ideologically to stricter controls on financial markets. Secondly, it is unwilling to take sides, particularly in election year, in what has become a turf battle between the various regulators.

All three chairmen last Thursday dismissed the idea of a statutory regulatory triumvirate. They argued that giving extensive powers to the three chairmen would threaten the statutory roles of the agencies themselves.

The main rivalry is between the SEC and the CFTC, which argues that it should oversee all futures and options. The SEC has said repeatedly that it should have regulatory control over stock index futures. The Fed has often repeated its unwillingness to take overall charge and thus to be faced with casting the deciding vote in any dispute between the two.

Despite the seriousness of political differences and fierce rivalries, the regulatory agencies argue that a great deal of progress is already being made in a difficult area.

The CFTC argues that futures and options exchanges have already made substantial concessions. Exchanges have raised margins for speculative and option positions and have established permanent daily price limits, among other measures.

Mr David Ruder, SEC Chairman, applauded this action by the CFTC and said progress was being made in the working party. He pointed to the decision by the New York Stock Exchange to impose limits on the use of its electronic order execution system for stock index arbitrage as evidence that the securities industry was itself taking steps to dampen down volatility.

And, in Washington, the talking continues.

John Wood: heading an office with unprecedented powers

Britain steps up battle on fraud

By Clive Wolman in London

THE SERIOUS FRAUD Office, the centrepiece of the UK Government's moves to crack down on City of London frauds and other complex or serious breaches, today receives its formal powers.

Its initial workload, according to Mr John Wood, its director, will include the investigations into the affairs of Guinness, Johnson Matthey Bankers, the Marconi defence equipment subsidiary of General Electric Company and frauds connected with the Lloyd's insurance market.

The Guinness case, which the SFO has assumed responsibility for investigating and prosecuting, may become the first public test of the new far-reaching investigative powers and rules of evidence and procedure granted under the 1987 and 1988 Criminal Justice Acts.

Under Mr Wood, a solicitor and former deputy director of public prosecutions, the SFO will be armed with unprecedented powers to seize documents and to interrogate witnesses and suspects. It will also bring together an experienced multidisciplinary team of lawyers, accountants and policemen on a scale never previously attempted.

However, the organisation, which was set up last summer, remains a greatly watered-down version of the original blueprint proposed by the Roskill Fraud Trials Committee in January 1986. The committee criticised the fragmented structure for investigating and prosecuting fraud and the lack of cooperation between the various bodies.

Roskill suggested setting up a "single unified organisation responsible for all the functions of detention, investigation and prosecution of serious fraud."

The SFO falls short of the Roskill proposals in several ways. The most serious is that the SFO will not include police officers and will not offer them an alternative career structure specialising in fraud. Instead, the 26 lawyers and 19 accountants Mr Wood has recruited will merely work alongside whatever police officers have been assigned to a case.

The closest cooperation has been established with the City of London police fraud squad, from which about 15 to 20 officers will work alongside the SFO in the same building under Detective Superintendent Jerry Squires.

The SFO believes that it will not have difficulty persuading chief constables to allocate their most experienced fraud squad officers to the 60 or so high-profile cases it proposes to tackle at any one time. However, the police officers' loyalty and career prospects are likely to remain with their local forces.

One of the most serious weaknesses identified both by Mr Levi and the Roskill committee is the lack of specialised training of fraud squad officers which the SFO structure will do nothing to tackle.

However, the SFO has been given much wider powers to investigate fraud, including the ability, in the majority of cases, to bypass a committal hearing in magistrate's court in advance of a full trial.

The power to bypass a committal hearing will probably be brought into force in July or August. This may just be in time to be used in the cases of the seven men arrested in the Guinness case so far.

THE LEX COLUMN

Pushing sterling to its limits

The foreign exchanges are refusing to allow the Government to be coy about its stance towards sterling. The market believes the Treasury has a secret ceiling for the pound, and seems determined to push the currency up until it gets there. At yesterday's rate of over a pfennig a day, official policy could be put to the test before the week is out.

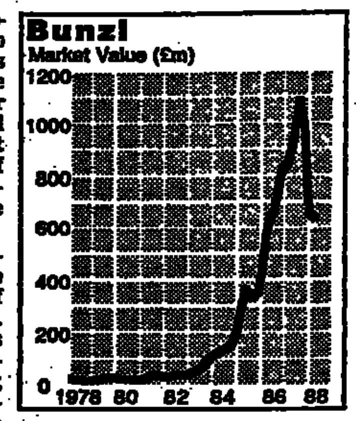
However, if the market is bargaining on a base rate cut at the next big round number of DM3.15, it may be disappointed. Yesterday's retail sales figures were further proof of the consumer's extraordinary profligacy; and the last thing the Government wants is a further cut in mortgage rates to encourage the spending spree that is already assured by £4bn of tax cuts. Moreover, with the market in this aggressive mood, a half point off base rates might not do the trick, leading to still lower interest rates and a still stronger pound – scarcely the recipe for better trade figures.

Intervention might seem a better option, but as that tool works best when brought out unexpectedly, now would not seem an ideal time to use it. The Government must be praying something will happen to divert attention from the pound, which would get it out of this policy fix. Maybe next week's IMF meeting will do the trick by restoring the world's interest in the dollar, but more likely it will do nothing of the sort.

Meanwhile, the stockmarket has been so galvanised by the progress of the pound, it has paid little attention to the end of the tax year. There may have been a little selling by private investors since the Budget, but scarcely enough to be responsible for the market's sickness since then. Similarly, the chance to unlock pre-1982 capital gains should not produce any stampede to sell. Even if the life companies want to dispose of their aged holdings of 1970s "wonder stocks", they are more likely to hold out for better times.

Bunzl

In a market with a pronounced appetite for defensiveness, any company which offers a set menu of multiple US acquisitions can scarcely expect to stimulate the palate. If that same company reports profits which are on the face of it at least 5 per cent short of expectation – and turn out to



be probably twice as deficient once the small print of currency conversion is read – then an 8 per cent fall in the share price may look like a reasonable correction.

That may yet prove to be the case for Bunzl, especially if the company has as bad luck this year as last. Hindsight may not credit it, but luck – in the form of a lost franchise for Hudson's in Chicago and a housing downturn in Colorado and Missouri – must shoulder part of the blame for 1987. So if what went wrong last year comes right in 1988, will Bunzl again deserve the premium rating it once commanded?

Probably not. The company yesterday gave notice that as of June 30, it intended to pause for breath in its acquisitions programme, no doubt a prudent strategy for a group which has averaged an acquisition a fortnight for the past two years. But most of these additions have been mature, low-growth businesses with little scope for stunning improvement – so the assumption must be that when the acquisitions race stops, earnings growth will settle into a less precocious range. But if growth in earnings per share of 10 to 15 per cent this year is scarcely the stuff to inspire the market, neither is it enough to merit Bunzl's current discount to the market.

The first quarter of 1988 might have started on a nervous note and ended weakly, but it should not be forgotten that many of the world's stock markets turned in their best quarterly performances for a very long time. The 21.8 per cent rise in the Tokyo market far exceeded its 14.6 per cent rise in the whole of 1987, and stood out against the token advances of the major market indices in New York and London. However, second line stocks on both sides of the Atlantic did far better and the 13.4 per cent rise in the NASDAQ OTC composite index in the US underlines the recent substantial rally enjoyed by many smaller capitalised stocks.

In the UK, the property sector has been the star performer and its strength may partly reflect an increased emphasis on both assets and asset-related stocks by institutional investors in the aftermath of last October's crash. It is clear that the collapse in equity values has not had the once feared knock-on effect on property prices and, with commercial property rental income growing by close to 20 per cent per annum, underlying asset values are rising strongly. The other surprise in the first quarter league tables is the dismal performance of the stores sector which is failing to profit from the UK consumer spending boom, perhaps because the industry's profitability is in secular decline.

Internationally, the message from the first quarter for fund managers is that those who were underweight in Japan will have badly under-performed once again. According to brokers Wood Mackenzie, the total sterling return on the FT-A World Index was 11.8 per cent, but if Japan is excluded it drops to 5.1 per cent. While this is not excessive, it is equivalent nevertheless to an annual return of over 20 per cent.

Beazer

Those not well-versed in the legal niceties of the US takeover business might well have thought the court injunction against Beazer's bid for Koppers meant the end of that controversial saga. Not a bit of it. Even though the bid expires tomorrow, Beazer can simply extend the deadline while it goes through the routine performance of getting the decision overturned. All Koppers seems to have gained by getting a district judge in California to rule against the bid on anti-trust grounds is time. With no alternative deal in sight, time may not be enough. But in the end, it may still be the law and not the market that will decide. The mess of litigation surrounding the bid is as hazardous as ever, and if the courts allow Koppers to swallow its poison pill, then that really will be that.

UK growth rate 'set to slow down'

By Ralph Atkins in London

BRITAIN'S economy will continue to grow into the 1990s, but at a slower rate than in recent years and with a growing trade deficit, an average of the latest forecasts from 22 economic forecasting groups suggests.

Independent economists are generally more pessimistic than the British Treasury about inflation, trade and investment.

The forecasters covered in the survey include the Treasury, the Organisation for Economic Co-operation and Development and economists at British universities and securities houses.

Gross domestic product will grow 3.1 per cent this year and 2.3 per cent in 1989, the figures suggest. The current account deficit is predicted to rise from £1.7bn ($3.18bn) last year to £5bn this year and £6.1bn in 1989.

The results suggest economic growth this year will slow after the exceptionally fast pace of 1987. None the less, the strong rate of domestic expansion is still thought likely to lead to fast growth in imports and a possible rise in inflation. Unemployment is thought unlikely to fall much below 2.5m.

Growth is likely to be fuelled largely by consumer spending which is forecast on average to rise 4.2 per cent this year and 3 per cent in 1989.

Manufacturing output is predicted to grow 4.5 per cent in 1988 and 3 per cent in 1989 - or about half a percentage point slower in each year than forecast by the Treasury. Investment is predicted to rise 5.9 per cent this year and 3.9 per cent in 1989.

The survey shows the Treasury's forecast for retail price inflation of 4 per cent by the last quarter this year and the first half of 1989 is more optimistic than most independent economic forecasters. On average a rate of 4.2 per cent is forecast for October-December this year, rising to 4.6 per cent by the end of 1989.

Details, Page 6

US and Soviet Union approach Afghan withdrawl compromise

BY OUR FOREIGN STAFF

THE US and the Soviet Union appeared close to a compromise on the Soviet withdrawal from Afghanistan last night after a day of hectic superpower diplomacy in Moscow, Washington, Kabul and Geneva.

However, concern is growing, particularly in Washington, that the sort of agreement that may now be in the offing could lead to more, rather than less, bloodshed in the Afghan war, which has already cost more than 1m lives since the Soviet invasion in December 1979.

The key development came yesterday when the Soviet Union dropped its outright opposition to a compromise floated by Mr George Shultz, US Secretary of State, under which Moscow and Washington would continue to supply arms to their respective clients during the withdrawal of 115,000 Soviet troops.

Mr Eduard Shevardnadze apparently agreed the change of tactic in Kabul this week.

Mr Yuli Vorontsov, the Soviet Deputy Foreign Minister, yesterday told Mr Shahid Amin, the Pakistani Ambassador in Moscow, that the two superpowers could now resolve their disagreement over military supplies to the Mujahideen and the Kabul Government.

This disagreement has been a major obstacle to the signing of withdrawal accords being negotiated in Geneva by Pakistan and Afghanistan under UN mediation, as the US and the Soviet Union are required to sign the accords as guarantors.

The US has been insisting since December, under increasing Congressional pressure, that a cut-off of aid to the Mujahideen should be accompanied by a symmetrical cut-off of military supplies from Moscow to Kabul.

Under Mr Shultz's compromise, supplies will continue, rather than cease, at an agreed "equal and balanced" level.

However, a growing bipartisan group in Congress fears that this will guarantee a bloodbath as the Mujahideen and the Kabul regime fight intensely for position as the Soviets withdraw.

Some Pentagon and State Department analysts support their fears.

Joint UK chip venture collapses

BY TERRY DODSWORTH, INDUSTRIAL EDITOR, IN LONDON

A DISAGREEMENT between Plessey and the General Electric Company (GEC), has thwarted a £25m ($47m) UK Government scheme to back development work on an advanced form of semiconductor technology.

The split comes only a few weeks after the two groups - which are among Britain's largest electronics companies and have a history of bitter rivalry - agreed to bury their differences and weld their telecommunications activities together in a 50-50 joint venture.

After more than a year discussing the latest proposals to develop a manufacturing facility for chips made from gallium arsenide, GEC has begun dismantling a team of 100 research workers at its Hirst Research Centre at Wembley in North London.

About 40 employees will remain to work on the company's own developments, GEC says, but the other 60 will either be transferred to the group's Marconi division or redeployed elsewhere if possible.

Plessey, which already has a strong position in gallium arsenide technology, says that it has also withdrawn from the scheme, although there will be further discussions with the Department of Trade and Industry (DTI) to see if anything can be salvaged from the original project.

Gallium arsenide is a semiconductor material which has attracted scientists for several years as an alternative to silicon, the base for manufacturing most of the present generation of chips.

Because of the particular properties of the material, gallium arsenide semiconductors can work at faster speeds and under more testing conditions than silicon chips. They are also, however, trickier and more expensive to make, so their applications have previously been limited to specialised areas, such as signals processing for the latest generation of sophisticated radars.

It was hoped that under the new DTI initiative, launched on the recommendation of an industry committee, the application of the technology could be spread more widely throughout UK manufacturing.

GEC and Plessey were chosen to develop a central production facility that would avoid fragmentation in the UK's research effort.

Neither company would comment in detail on the reasons for the collapse of their negotiations, which comes embarrassingly at a time when the UK electronics industry has been criticising the Government over cuts in funding.

The indications are, however, that Plessey was unhappy about entering a joint venture after spending heavily to develop a strong international position of its own in gallium arsenide.

The DTI says it is not yet clear what will be done with the funds marked for the gallium arsenide project. The Department recently announced that its main support for electronics over the next few years would be through a £29m scheme to continue the Alvey programme in information technology, along with £56m for the Science and Engineering Research Council.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	14	57	Dubrovnik	C	20	68	Malta	S	21	70	Rhodes	S	22	72
Algiers	F	19	66	Edinburgh	S	12	54	Manchester	C	7	45	Rio de J'o	C	34	93
Amsterdam	F	8	46	Faro	F	15	59	Manila	F	34	93	Rome	S	19	66
Athens	F	17	63	Florence	S	18	64	Melbourne	S	20	68	Salzburg	F	14	57
Bahrain	C	25	77	Frankfurt	C	9	48	Mexico City	F	26	78	San Francisco	F	8	46
Bangkok	F	35	95	Funchal	C	17	63	Miami	F	22	72	Seoul	F	9	48
Barcelona	C	13	55	Geneva	F	9	48	Milan	F	15	59	Singapore	F	31	88
Beirut	C	20	68	Gibraltar	C	16	61	Montreal	C	8	46	Stockholm	S	11	52
Belfast	S	12	54	Glasgow	S	14	57	Moscow	C	9	48	Strasbourg	C	10	50
Belgrade	C	18	61	Guernsey	C	8	46	Munich	F	12	54	Sydney	F	25	77
Berlin	F	11	52	Helsinki	C	2	36	Nairobi	C	22	72	Taipei	C	27	81
Biarritz	C	11	52	H. Kong	C	19	66	Naples	S	21	70	Tangier	C	14	57
Bombay	S	33	91	Innsbruck	F	13	55	Nassau	C	28	82	Tel Aviv	F	23	73
Bordeaux	R	13	55	Inverness	F	15	59	New Delhi	S	31	88	Tenerife	C	18	64
Brussels	C	9	48	Islamabad	C	29	84	New York	S	13	55	Tokyo	S	16	61
Budapest	F	13	55	Istanbul	C	18	64	Nice	C	16	61	Toronto	C	7	45
B. Aires	F	20	68	Jakarta	R	32	90	Nicosia	C	23	73	Tunis	F	20	68
Cairo	S	27	81	Jersey	C	9	48	Oporto	F	11	52	Valencia	F	15	59
Cape Town	S	22	72	Jo'burg	F	21	70	Oslo	C	4	39	Venice	C	14	57
Caracas	C	27	81	Lima	F	26	79	Paris	S	11	52	Vienna	C	10	50
Casablanca	C	17	63	Lisbon	C	13	55	Peking	F	12	54	Warsaw	C	13	55
Chicago	F	12	54	London	C	9	48	Prague	F	13	55	Washington	S	15	59
Cologne	C	11	52	Los Angeles	C	14	57	Reykjavik	C	3	37	Zurich	C	9	48
Copenhagen	C	9	48	Luxembourg	C	8	46								
Corfu	F	22	72	Madrid	F	11	52								
Dallas	-	-	-	Majorca	F	16	61								
Dublin	S	12	54	Malaga	R	12	54								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Pound closes at two-year high

Continued from Page 1

sons why investors are staying out of the London share market. It is estimated that UK institutions have amassed about £20bn ($37.6bn) in short-term and liquid assets since the October collapse of world share prices.

In London, the FT-SE 100 Share Index closed down 4.9 at 1,737.6. In New York, the Dow Jones Industrial Average closed up 16.91 at 1997.51.

Sterling is underpinned by relatively high British interest rates

Beazer in Koppers appeal

Continued from Page 1

way of thwarting Beazer or forcing it again to increase its offer. The Pittsburgh company has confirmed it is holding talks but declined to give any details.

Koppers' shares slipped $⅝ to $56⅝ in early trading yesterday as Wall Street worried about its delay in announcing defensive measures other than legal manoeuvrings.

Judge Manuel Real of the US District Court in Los Angeles granted Koppers a preliminary injunction late on Monday, blocking the Beazer bid. It formalised a restraint order he had issued 10 days ago. Koppers had argued that its takeover by Beazer would pose considerable anti-trust problems in southern California where both companies have aggregates plants.

Beazer had settled the anti-rust issues raised earlier by the Department of Justice by agreeing on March 18 that it would sell the local Koppers quarry if its bid succeeded. But Koppers and California's district attorney argued that the process by which the Department of Justice had arrived at its decision, and the deal struck with Beazer, were unsatisfactory.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday April 6 1988

Royal Bank to regroup investment activities

By Alexander Nicoll in London

ROYAL BANK of Canada is to combine its London investment banking activities with those of Dominion Securities, the Canadian securities firm, in a move which will mean the end of the activities of Orion Royal Bank.

The former consortium bank, of which Royal assumed control in 1981, had already drastically reduced its businesses after pulling out of the Eurobond market last year. The new operation will replace it as the international investment banking arm of the Royal group.

After completion last Thursday of Royal's C$385m (US$313m) acquisition of 75 per cent of Dominion Securities, the two are to form RBC Dominion Securities in Toronto. The international activities of this grouping are to be run from London by a subsidiary to be named RBC Dominion Securities International.

It will group about 250 people, of whom about 60 will come from Dominion Securities. It will also incorporate Kitcat & Aitken, Royal's London stockbroking subsidiary. No front-office jobs are expected to be lost.

Mr John Sanders, chairman of Orion Royal Bank, will become chairman of the new London unit and will also retain his responsibility for Royal's private banking operations outside North America. He will report to Mr Robin Younger, a Dominion executive who is to be chief operating officer

Orion Royal's withdrawal from Eurobonds last November was one of the most significant in the current shake-out of the overcrowded market, particularly as Orion had been a well-known name in it for many years.

Campeau's victory makes Wall Street $250m richer

BY JAMES BUCHAN IN NEW YORK

WALL STREET is poised to enjoy one of its greatest bonanzas as investment bankers and merger lawyers share out up to $250m for their work in the ferocious 10-week battle for control of North America's greatest department store group, Federated Department Stores.

"If we're paying $200m to $250m in fees, I say it's reasonable," said an ebullient Mr Robert Campeau, chairman of the Campeau property and retailing group, who wore down Federated's opposition and the rival R.H. Macy of New York to clinch victory – and the right to pick up Wall Street's tab.

The florid and incendiary Mr Campeau, who at 63 has reached the pinnacle of North American big-store retailing, appeared grinning yesterday before a crowded press conference to explain the audacious $6.6bn transaction he clinched last Thursday night through a side deal with Macy's.

The battle, which has already involved seven investment banks, six law firms, commercial bankers and hordes of accountants and printers, could generate yet more business for Wall Street as Campeau shuffles Federated's assets to finance the offer, which will ultimately cost Campeau some $8.8bn, including Federated's current debt.

For the moment, the chief beneficiary is First Boston, the Wall Street house which has been under a cloud for two months since the defection of its star investment bankers, Mr Bruce Wasserstein and Mr Joe Perella. First Boston, which advised Campeau and arranged a bridging loan of more than $1bn to expedite the deal, could earn more than $50m and a welcome boost to morale.

Mr Wasserstein, who made the final presentation of Campeau's offer to Federated's board and seems to have borne the brunt of Mr Campeau's moods, is expected to pick up about $10m for his new firm, Wasserstein Perella. Campeau will also pay fees of around $100m to five other Wall Street firms, including all the best names, which advised Federated and Macy's.

Mr Campeau admitted yesterday that the $73.50 a share offer, which is double Federated's price at the beginning of the year, is "high by traditional standards." But he said the deal could be financed by a wholesale disposal of stores, bank finance and mortgages.

He said that he would raise $4.4bn by selling stores, including two big Californian chains, to Macy's. This will cut Federated's 15 divisions down to no more that six and leave the new Federated with $1.4bn in equity and $8bn in debt.

Of that debt, $800m is already on Federated's books and the remainder can be raised through commercial banks, and will be partly refinanced by the sale of mortgages on the properties of $1.7bn.

Mr Campeau said that Federated's total interest bill will be $290m to $300m a year out of gross cash flow of $675m to $700m a year by the end of this year. "This company we just bought is going to yield us $375m to $400m a year and that's before savings," Mr Campeau said.

CSX profits fall sharply to $65m in first quarter

By Our Financial Staff

CSX, the US rail and resources group whose results traditionally herald another US quarterlies season, posted a sharp fall in first-quarter net earnings from $85m or 55 cents a share to $65m or 40 cents.

It attributed the decline mainly to lower property-related and energy operating income, which more than offset strong transportation results. Total revenues rose to $2.1bn from $1.9bn.

Transport revenues and expenses rose on the strength in the domestic economy.

De Benedetti acts against Olivetti board rumours

BY ALAN FRIEDMAN IN MILAN

MR CARLO De Benedetti, the Italian businessman, is expected to review his position as group managing director of Olivetti, the Italian data processing equipment maker which he also chairs, over the next few months.

However, he is firmly countering speculation that he has any imminent plans to give up his operational responsibilities of the company.

Aides to Mr De Benedetti yesterday poured cold water on rumours in the Italian press of an impending departure. These have developed in the light of Olivetti's involvement in a possible alliance between the Stet state telecommunications group and American Telephone & Telegraph (AT&T), the US telecoms group which is Olivetti's biggest shareholder.

Mr De Benedetti's quest for control of Société Générale de Belgique has also fuelled talk about his ability to maintain his present commitment to Olivetti.

The Ivrea-based office automation group, in which Mr De Benedetti is the largest shareholder after AT&T, stressed yesterday that he would definitely remain chairman for the next five years and that "his commitment to Olivetti has not changed one bit."

CalMat in move to block offer by Brierley

By Roderick Oram in New York

CALMAT, a California building materials group, has put its cement and property divisions up for sale to try to thwart a $40 a share, $1.2bn takeover offer from Brierley Investments, the main corporate vehicle of Sir Ron Brierley, the New Zealand entrepreneur.

The company, which estimates the businesses are worth up to $800m, said it would use the after-tax proceeds either to repurchase some of its shares or pay a special dividend to shareholders.

It has 30.5m common shares outstanding.

Mr A.F. Gerstell, CalMat's president, said: "This represents a major step in the plan for enhancement of shareholder values that we announced last September." The company adopted a poison pill defence plan at the same time.

Brierley already owns a 19.2 per cent stake in CalMat.

CalMat's shares rose $1½ to $44⅝ in early trading yesterday, reflecting analysts' estimates that the company is worth at least $45 a share before asset disposals.

Mr James Schmidt, an analyst with Westcountry Financial, a California securities firm, expressed some scepticism that CalMat will raise $800m from the sales.

He believes its cement operations might be worth about $450m unless a foreign buyer is willing to pay more to break into the large California construction market.

Mr Schmidt estimates CalMat's land and property holdings are worth between $450m and $500m but the company would have to retain some of them to continue its aggregates business.

Canadian group poised for London Stock Exchange listing

Mardon crosses the Atlantic

BY MAGGIE URRY IN LONDON

FOR A CANADIAN-quoted company, Lawson Mardon is already well-known in Britain. The company, which was formed by a buy-out from BAT Industries, the UK tobacco, paper, retail and financial services group, has about 70 per cent of its business based in Europe, mostly in the UK.

So it is surprising, perhaps, that Lawson Mardon shares have so far not been listed in London – a situation which will be corrected tomorrow when the company's shares begin trading on the London Stock Exchange.

Already about 4.5m of Lawson Mardon's 14m "A" shares are held in the UK, largely by institutions but also by employees who took a stake in the group when it was bought out from its parent.

The listing will offer investors greater liquidity as well as raising Lawson Mardon's profile with bankers – an important consideration since it is planning a commercial paper programme.

However, potential UK investors may not have realised how far Lawson Mardon has come since it completed its leveraged buy-out in August 1985. Then it had one prime aim – to repay the bulk of its heavy debt.

The buy-out of Mardon Packaging and Lawson & Jones, respectively the UK and Canadian packaging arms of BAT, was then the largest seen in the UK, with total cash raised of C$560m (US$454m). Only C$42m represented equity, the remainder being various layers of debt.

That original aim has now been achieved. A combination of divestments of non-core businesses raised C$100m, tighter control of working capital released C$50m, and last June – two years ahead of the group's schedule – the company was floated in Canada raising a further C$207m net of expenses.

By the end of 1987 debt had been reduced to C$210m, a level where the group feels happy to begin expanding. No further money is being raised through the London listing and Mr Ralph Steedman, chief financial officer, says the group can comfortably service its remaining debt.

Lawrence Tapp: Back in acquisition phase

Mr Lawrence Tapp, chief executive officer, says Lawson Mardon is again in an acquisition phase. A few deals have been done – notably the purchases of the flexible packaging division of Dow Chemical Canada, Reliance Products, a rigid plastics maker in Canada, and Trentesaux-Toulemonde, a flexible packaging business based in France.

Mr Tapp argues that the process of substitution in packaging – for example the switch from glass bottles to plastic bottles for soft drinks – has a lot further to go. Lawson Mardon was first in the market with a plastic paint can.

Others, such as Metal Box and Reed International, have followed but Mr Tapp claims that Lawson Mardon can maintain its lead, and its margins, by introducing second and third generation cans to beat the competition.

He has high hopes also for Lawson Mardon's Petasol plastic aerosol. This can be moulded into more interesting shapes than the usual metal cylinder, offering marketing men obvious advantages, and has other benefits such as not exploding when burnt.

Mr Tapp has his eye on the 3bn unit a year European market for aerosols and says Lawson Mardon will take "a real shot" at winning a big slice of it.

The logic of the Reliance acquisition thus becomes evident – Lawson Mardon will take the paint can and the aerosol from its UK base into the North American market. By the end of 1988, Mr Tapp says, the paint can will be in volume production in North America.

This cross-pollination of technology, and the transfer of know-how into the acquired businesses, is one of the mainstays of Lawson Mardon's growth.

Those parts of the business in more mature markets, such as cartons and label printing, earn their keep by generating cash flow to finance the rest.

Mr Tapp also wants to even up the balance of the business from its current 70:30 Europe:North America split, partly as a currency hedge. However, he would not rule out further acquisitions in Europe, clearly more purchases in North America are the aim.

Lower margins in the North American businesses are being brought up to the European level, after some restructuring and sales of more prosaic businesses.

He is keen to maintain the group's dependence on consumer products, rather than strike off in any new directions, since they should be more resilient to any economic downturn. Mr Tapp reckons that 53 per cent of its business is with the food industry, 12 per cent beverages, 9 per cent tobacco and the rest to other consumer products.

The group aims to increase earnings per share by 15 per cent a year.

At a current share price of C$14, which compares with the C$16 at which the company was floated last year before the stock market fall, the prospective p/e is about 9, a discount to the sector average in the UK and Canada.

The shares of a Canadian-based company with the bulk of its business in the UK may have difficulty finding a natural place in a fund manager's portfolio. A UK listing might make the difference.

Nick Garnett on the pressures for change as industry leaders jostle for position

Carbide tool groups sharpen up their image

AS CHAIRMAN of Krupp-Widia, the West German carbide tip cutting tool manufacturer, Mr Friedrich Fröhlich hears a lot about Sandvik, one way or another.

The Swedish company is the world's largest cutting tool maker by a long way and about three times larger than Widia, which is a division of the Krupp steel and engineering group.

Having a monster European competitor tends to annoy West Germans. If you are a company like Krupp, which virtually invented the carbide cutting tool back in the 1920s and was the biggest supplier in the world before the Second World War, it seems to be even more irksome.

Widia is spending a great deal of time, money and energy buying up companies and expanding distribution and marketing to recapture some of the ground it has lost to Sandvik, particularly during the 1960s and 1970s when Sandvik grew so fast.

"We cannot become number one. Sandvik is too large," says Mr Fröhlich. "But we want to be the clear number two supplier."

The Krupp board, under fire for some management decisions and for struggling with rationalisation in its core steel business, is giving the Widia managers full backing.

But the growth activities of Widia are just one of several pressures which are reshaping parts of the world's carbide tool industry through some important shifts in ownership.

The market for carbide cutting tools – the most common type used in manufacturing – is worth about DM5bn ($3bn). Sandvik Coromant, the Swedish company's main carbide tool arm, claims almost a 25 per cent market share. A clutch of companies, including Widia, have about 8 to 10 per cent of the market.

These companies include Kennametal, the tough US company which has a quarter of the huge North American market, and three Japanese companies, Sumitomo, Toshiba – selling under the brand name Tangoloy – and Mitsubishi. There is also a series of smaller, niche-orientated, but important, carbide tool makers like Hertel in milling and turning tools, Walter in milling, and the Israeli company, Iscar, which specialises in grooving tools.

A significant number of companies has been changing hands as the bigger suppliers try to secure a firmer footing in an industry where distribution and closeness to the customer are just as important as technology and price.

A few years ago Widia acquired Sitzmann and Heinlein, a Nürnberg specialist in carbide milling cutters, following this in 1986 with the acquisition of Herco, a Spanish manufacturer of milling cutters for the aerospace industry.

It took its first step last year to obtain production capability in North America with the purchase of Ultramet, a US carbide maker. "We are looking to buy a tool maker in the US," said Mr Fröhlich.

These acquisitions have helped Widia in a virtually flat market to increase sales by 50 per cent in value during the past five years and to double export earnings. The company's sales force, numbering 350, is expected to rise to 480 within two years. Widia's turnover is about DM700m, of which 80 per cent comes from tool engineering.

Friedrich Fröhlich: hoping to recapture lost ground

Mr Clasake Hedstrom, president of Sandvik's cutting tool division, says Sandvik "will have to fight hard" to retain its position. The Swedish group, though, has not been standing still.

Seco, a sister company to Coromant in the Sandvik group last year purchased Detroit-based Carboloy, the fourth largest cement carbide tool company in the US, from General Electric. This gave the Sandvik group a significant manufacturing centre for the US market.

"To digest Caboloy is a big thing for a company like Sandvik. It will stretch their management capacity for quite a time," says Mr Ludolf von Eckardstein, Widia's export sales manager. Nevertheless, this is the kind of operation Widia does not yet have in North America.

Sandvik Coromant bought Madison, a US tool company, in 1980. Mr Hedstrom says that has been absorbed into the Sandvik group, but competitors believe the process has proved difficult.

If it has, it has not stopped Coromant from further US purchases. In 1986 it acquired Triangle Grinding in Houston, a company specialising in grooving tools for the oil industry.

Sandvik, which exports 97 per cent of its output, has signed a few licence agreements. These have included one with Valenite in the US for Sandvik's own-designed modular tooling system, and with Toshiba.

However, because of Sandvik's dominant position the pressure to sign co-operation agreements is much more intense on its smaller competitors.

Widia and Kennametal have jointly developed a modular tooling system and Widia has co-operation agreements with several companies, including Sumitomo. Kennametal recently agreed a joint venture with Kobe Steel.

One of the reasons why Widia lost so much ground to Sandvik after the war was that the German company concentrated on the manufacture of carbide rather than the tools themselves, and as a result tended to lose direct contact with the customer.

The company has been putting that right, but the need to keep in close touch with the tool user is one reason why Widia needs to acquire a significant US tool maker. Tool holders in the US also use imperial rather than metric measurements, which places an extra handicap on European producers.

Widia has only about 2 per cent of the US market, which represents a quarter of world sales. "The US is a gigantic and challenging market and we have to be there," says Mr Fröhlich. "We really have to do that by acquisition."

At Sandvik, Mr Hedstrom believes the top players in the carbide tool industry will be around in five years' time and no major new entrant is likely to upset this.

There are some ominous signs, though, of a new stirring in the Far East. A number of relatively small producers, like Hankok in South Korea, is becoming more active while Nippon Steel has just entered the cement carbide market for the first time.

The Japanese have had only mixed success in Europe. Their imports into West Germany amounted last year to just DM35m and some of these imports were destined for other European markets.Their penetration of Switzerland, viewed by the industry as a kind of test market, has not been good.

Some European producers, however, believe it is only a matter of time before the Japanese begin manufacturing in Europe, with Spain the likely location.

Werner Rey buys stake in Sulzer Brothers

BY OUR FINANCIAL STAFF

OMNI HOLDING, the company which groups the financial and industrial operations of Mr Werner Rey, the Swiss financier, has acquired a 20 per cent stake in Sulzer Brothers, the Swiss engineering group, from a consortium of dissident shareholders led by Mr Tito Tettamenti.

Omni is thought to have paid about SFr220m ($161.5m) for the 40,000 Sulzer shares. The transaction, which reduces the Tettamanti holding in Sulzer to about 15 per cent, appears to bring to an end the state of hostile confrontation that has existed at Sulzer since last October.

Since the initial disclosure of the Tettamanti shareholdings Sulzer has fought tooth and claw to maintain its independence, first virtually excluding the Tettamanti consortium from the Sulzer share register, and then announcing talks with potential industrial partners, including Schindler, the Swiss lift maker

Although Mr Tettamanti, a Lugano-based lawyer, repeatedly stressed during lengthy negotiations with Sulzer that he did not plan a takeover but merely wanted a greater say in the running of the company, the situation quickly developed into what by Swiss standards was seen as a hostile bid battle.

In contrast, relations between Sulzer and Omni look much more amicable. Omni acquired the Sulzer shares with Sulzer's consent and half of them will be immediately entered in Sulzer's share register, a step necessary to give Omni voting rights. Omni, according to a joint statement, will work with Sulzer to find an industrial partner to buy the other 20,000 shares.

Omni has a turnover of about SFr1.7bn. Sulzer, which achieved sales for 1986 of SFr4.5bn, said last month it was ready to accept minority partners who could help the company tap new markets. One of Switzerland's best known entrepreneurs, Mr Rey has built a financial empire whose main asset is Inspectorate International.

Mr Tettamanti appeared to switch direction last week when he announced the acquisition of a controlling 55 per cent shareholding in Adolph Saurer, another Swiss engineering group, which last year bounced back to profit after a period of heavy restructuring.

Montedison starts health care concern

By Our Financial Staff

MONTEDISON, THE Italian chemicals group, has said that two subsidiaries, Farmitalia Carlo Erba and Tecnimont, have entered the health care industry through the formation of a new company.

The new group, to be called Farmitalia Carlo Erba-Tecnimont Engineering, will study and build pharmaceutical plants, research laboratories, hospitals and other health care facilities.

The company will provide services such as feasiblity studies, product selection, engineering, plant construction, personnel training and consultancy.

KIO claims 50% Ebro backing

BY PETER BRUCE IN MADRID

THE KUWAIT Investment Office (KIO), whose Spanish paper subsidiary, Torres Hostench, is embroiled in a hostile Pta24bn ($217.2m) bid for the country's biggest sugar refiner, Ebro, has already received enough offers of shares to guarantee it 50 per cent of Ebro, according to people intimately involved in the takeover attempt.

The offer, for 50 per cent of the company at Pta 30,000 a share, values Ebro about 56 per cent higher than it was trading at nearly three weeks ago. KIO-Torres officials say that banks holding stock for investors have informed them of numerous offers to sell.

Ebro shareholders, claim the KIO-Torres people, have instructed their banks, which hold shares in proxy, to hold on to the shares in case Ebro is able to improve on the forecast of higher profits and dividends made as part of its defence.

Officials for the Ebro defence team were not available for comment yesterday afternoon.

The KIO-Torres confidence is, however, dependent on the Madrid court which is considering an application from Ebro to suspend the offer because of alleged technical errors in the original bid. The court has not, as mistakenly reported last week, suspended the KIO-Torres offer, which is the first hostile takeover ever given the go-ahead in Spain.

Lawyers for KIO-Torres replied to the Ebro petition with one of their own last Friday, thus delaying a final court decision for a further five days. Time for interested parties, including the Government, to approach the court expires at the end of this week.

A final decision seems likely to follow soon afterwards because the offer, under new takeover guidelines, has only two more weeks to run. Under the guidelines the same bid cannot be made again for a year.

Ferruzzi sugar unit holds profit

By Alan Friedman in Milan

ERIDANIA SPA, the Ferruzzi group's holding vehicle for sugar and other agro-industrial interests, reported a nearly unchanged net profit for 1987 of L43.3bn ($35m), against L42.5bn in 1986. Parent company turnover was L790.1bn, up slightly on L768.7bn.

The above figures do not include results from Beghin-Say, the French sugar group which is 53 per cent owned by Eridania.

Eridania said that taking into consideration all of its agro-industrial holdings on an "aggregate" group basis it expected to achieve 1988 turnover of L8,500bn.

This is nearly three times the 1986 level because of acquisitions made in 1987, including the European corn starch operations of CPC, the Lesieur foods group in France, Central Soya, the US soybean concern, and others.

The Ferruzzi group, including agro-industrial interests, is expected to have a 1988 total turnover of about L14,000bn. This does not include Ferruzzi's 42 per cent stake in the Montedison chemicals concern.

Ferruzzi has never produced a consolidated group balance sheet, but has promised to do so this spring.

● Snia Bpd, the defence and specialised engineering company controlled by the Fiat group, has shown a sharp fall in consolidated net profits in 1987, writes John Wyles in Rome.

With turnover virtually static at L2,431bn, net profits fell from L68bn in 1986 to L30.5bn last year. Operating profits fell slightly, from L132.8bn to L131.1bn.

The company says that the year was a poor one for its defence and space equipment activities, but fibres, chemical and bioengineering all registered an increase in operating profits.

INTERNATIONAL COMPANIES AND FINANCE

Andrew Whitley looks at an Israeli company expected to reveal a $100m loss for 1987

Gaon faced with daunting task at Koor

THE APPOINTMENT of Mr Benny Gaon as managing director of Koor Industries, in succession to Mr Yeshayahu Gavish, brings to Israel's pre-eminent industrial post a businessman with broad international experience. But, on its own, the move is unlikely to solve the deep-rooted problems besetting an economic giant with an annual turnover in the order of $2.34bn.

Mr Gavish, who had been with Koor for 18 years, the last six as its chief executive, resigned last week in frustration over what he asserted was repeated interference from Hevrat Ha'Ovdim, the group's parent organisation, in a jointly agreed rescue programme.

Hevrat Ha'Ovdim (HH) — literally The Workers Company — is the economic arm of the Histadrut, Israel's powerful labour federation, and is responsible for a quarter of the country's gross national product. Mr Gaon steps up from running one of its more profitable divisions — the Co-Op chain of supermarkets — to take on the daunting task of turning around a manufacturing-based conglomerate expected to show a 1987 loss of over $100m, the largest ever for an Israeli company.

Special factors undoubtedly aggravated last year's performance. But the signs were already on the wall 12 months earlier when, after a hefty operating loss equivalent to $74.2m, the group was forced to rely upon sharply higher financial income to scrape into the black.

In an acrimonious resignation letter, Mr Gavish referred pointedly to the need to bring Israel's socialist industrial mentality in line with changes going on within Israel and the world economy. Koor had to "get rid of distortions which had no place in a business enterprise," he argued, so as to be able to take advantage of the more liberal atmosphere being created by the Government's two-year-old economic recovery programme.

At the heart of his problems was overstaffing. From a 1985 peak of 34,000, Koor's workforce was cut to 32,700 by end-1986, when a two-year rescue plan was launched. Agreement was then reached with HH on cutting a further 10 per cent.

Laying off workers in Israel is expensive and time-consuming at the best of times. In Koor's case, the cost both to the balance sheet and in terms of management time has been exceptionally heavy.

> Mr Benny Gaon, who succeeds Mr Yeshayahu Gavish as Koor's managing director, steps up from running the Co-Op chain of supermarkets, one of the more profitable divisions of Koor's parent organisation

According to Mr Jack Friedgut, a financial adviser to the company, generous redundancy payments accounted for between $30m and $40m of last year's anticipated loss.

A reduction of 1,700 employees over the past 15 months means that it has cost Koor's shareholders — the 1.5m Israelis who are automatically members of the Histadrut — about $23,000 (equivalent to two years' gross wages for the average Israeli) for each redundancy achieved.

But what infuriated Mr Gavish more than anything else was the refusal of Mr Yisrael Kessar, the Histadrut's veteran secretary general, to back him rather than Koor's workers when fierce opposition was encountered to the management's attempts to sell off or close lossmaking subsidiaries.

The proposed sale of a glass and bottle-making factory was blocked, as was an attempt to place a large subsidiary, the troubled Alliance Tyre and Rubber Company, under the protection of a court-appointed receiver. Since the rescue plan was launched, not one of the group's 300-plus subsidiaries has been sold.

Koor grumbles that it is a victim of government policies, notably in respect of price controls and the near-freezing of the shekel exchange rate against the US dollar. But only 26 per cent of 1986 turnover came from exports, and by no means all was denominated in dollars. As for price controls, these have been steadily reduced over the past 18 months, and now affect only a quarter of goods and services.

Perhaps greater pain has resulted from an excessive dependence on local defence orders, cut sharply over the past two years. Two of its most important subsidiaries — Soltam, the arms maker, and Tadiran, the defence and consumer electronics manufacturer — contributed heavily to last year's losses. Despite a huge order this week from the US Army for its mortars and shells, Soltam remains in deep trouble.

The Koor grievances are only partially justified as a quick comparison with the privately-owned Clal group, operating in many similar areas, reveals. By staying out of the clutches of either the Government or the Histadrut, cash-rich Clal has remained profitable through all Israel's recent economic vicissitudes.

Decline in UAE insurer's earnings

ABU DHABI National Insurance Company (Adnic), the United Arab Emirates' largest insurer, has declared profits of Dh101.8m ($27.8m) for 1987, a drop of 5 per cent, writes Angela Dixon in Abu Dhabi.

The decline was largely attributable to a setback in the fire and accident division, where profits dropped by Dh7.3m to Dh23.8m.

There was a 1 per cent dip in total premiums written to Dh325.8m — premiums in the fire and accident category dropped 11 per cent to Dh151.4m while those written for marine and aviation rose 15 per cent to Dh144.3m.

Adnic is paying a 40 per cent dividend amounting to Dh60m.

Jusco 5.9% ahead and holds dividend

JUSCO, the Japanese supermarket chain, lifted pre-tax profits 5.9 per cent to Y25.13bn ($202.4m) in its year to February 20 and expects a 4.7 per cent gain to Y26.3bn this year, Our Financial Staff writes.

Net earnings per share were down at Y41.96 against Y43.97 as more equity was issued, but the dividend is held at Y19.

Bond International reaches HK$320m

BOND CORPORATION International, the Hong Kong arm of Mr Alan Bond's empire, made 1987 net profits of HK$319.8m (US$41m), compared with a HK$39.4m loss in its start-up nine months, Our Financial Staff writes.

The sale of a half-share in the Bond Centre property development contributed HK$128m.

Tedelex consolidates return to profits

TEDELEX, the South African distributor of electrical goods, consolidated its return to profits in the six months to February and has promised to resume dividends at the end of this financial year, writes Jim Jones in Johannesburg.

Turnover advanced to R183m ($86.6m) from R165m and the interim pre-tax profit rose to R14m from R8.8m.

Reduced net result for Malaysian casino group

BY WONG SULONG IN KUALA LUMPUR

GENTING, the Malaysian casino company, reveals flat pre-tax profits of 173m ringgit (US$67.7m) for last year on turnover down 2 per cent at 402m ringgit.

Profit after tax and minorities fell 11 per cent to 80.8m ringgit.

Genting said, however, that the results were not comparable with those of 1986 because of the non-inclusion of Genting International (GIL), which was hived off as a separate company from January last year. Genting now has a 14.8 per cent stake in GIL, which operates casinos in Australia and the Bahamas, and which plans to gain a listing on the Hong Kong Stock Exchange.

GIL profits fell 32 per cent to A$12.7m (US$9.4m) last year.

Genting did not disclose sectoral earnings, but the results indicate that earnings from the casino operations remain healthy, although there was a sharp drop in income from interest and investments.

Asiatic Development, Genting's 77 per cent-owned plantation subsidiary, lifted net profits 82 per cent to 12.3m ringgit on the back of higher commodity prices.

Genting is paying a final dividend of 7.5 cents tax exempt, while Asiatic Development is maintaining its final payout at 1.5 cents a share.

● Faber Merlin, the troubled Malaysian hotel and property group, incurred a reduced pre-tax loss of 19m ringgit for the six months to December, compared with a previous loss of 22.5m ringgit.

The group attributed the continuing losses to high interest charges, and depressed conditions in the hotel and property markets.

Turnover fell 40 per cent to 36m ringgit. Faber Merlin said it had embarked on the sale of its non-core investments and the termination of several lossmaking hotel operations.

It was also seeking to renegotiate a long-term lease on the Merlin Perth in Western Australia, in the belief that the lease signed by the previous management was disadvantageous to the group.

Hindustan Lever lifts pre-tax profits by 17%

By R.C.Murthy in Bombay

PROFITS OF Hindustan Lever, an Indian offshoot of the Anglo-Dutch Unilever, rose 17 per cent pre-tax to Rs792.9m ($58.7m) last year, on sales which were 11 per cent higher at Rs7.95bn.

Net profits were up 19 per cent to Rs468m, partly because of a reduced tax rate. A dividend of 25 per cent is proposed on capital doubled by a scrip issue.

Dr A.S. Ganguly, chairman, says the use of newer raw materials and improvements in efficiency have enabled the development of cost-effective products.

Hindustan Lever manufactures soaps and detergents, agri-chemicals and fertilisers. The company has just developed a quality toilet soap which requires a lower fat content, as one result of a stepped-up research programme.

It is also undertaking research in tissue culture to improve strains of cardamom plants and drought-resistant seeds for use in dry farming. Many Indian companies were hit last year by the effects of widespread drought.

IFC plans overseas fund to finance Indian industry

BY JOHN ELLIOTT IN NEW DELHI

PLANS to enable foreign institutions to play a bigger role financing industrial developments in India are being drawn up by the International Finance Corporation, part of the World Bank.

The IFC is also considering helping to finance major capital projects such as petrochemical plants and power stations, and has started providing risk capital for smaller ventures.

This was announced by Sir William Ryrie, vice-president of the IFC, at the end of a week's tour of India. He wants to boost IFC business in India, which last year totalled $100m in equity and loans.

The IFC has been asked by US financial institutions to underwrite and help organise an investment fund, probably of $100m, to finance Indian industrial companies. The Indian Government has not yet given approval but has suggested that the IFC, which operates similar funds in countries such as South Korea, Thailand and Brazil, should explore the market.

The fund would be quoted on the New York Stock Exchange and would be modelled on the £75m ($141.6m) India Fund which was launched in London in 1986 by Merrill Lynch, aimed at drawing investments from major international institutions.

The India Fund, which gave foreign non-Indian investors their first access to the Indian stock markets, works in India through the state-owned Unit Trust of India. Merrill is preparing a separate project to launch a second India Fund itself, in New York.

The IFC is also considering operating an introduction and underwriting service to help Indian companies raise investment capital directly on international markets. This would also need approval by the Indian Government, which strictly controls foreign involvement in Indian companies and stock markets.

The IFC moves to help finance major petrochemical projects come at a time when India is short of both foreign exchange and domestic funds.

Consob demands more openness

BY JOHN WYLES IN ROME

CONSOB, the Italian stock exchange's regulatory body, has issued fresh recommendations to listed companies, calling for fuller explanations of decisions on mergers, capital issues and corporate reorganisations.

In the continuing absence of any updated legal framework for its activities, the Consob is still unable to bring any sanctions to bear on companies ignoring its latest attempts to inject more transparency into listed companies' announcements.

Its latest initiative builds on recommendations issued in mid-January and, therefore, bears the hallmarks of lessons learned from the Ferruzzi-Montedison affair of early February when the market fell heavily on news of the reorganisation plans announced by Mr Raul Gardini, the Ferruzzi chairman.

Then, Consob and its chairman, Mr Franco Piga, were accused of reacting too slowly in defence of the interests of minority shareholders. Three days were needed after an initial announcement to the press to secure supplementary information from Ferruzzi of the kind now specified by Consob.

Among other things, investors reacted defensively to the share exchanges announced by Mr Gardini in the absence of any detailed explanation of the relative valuations being placed in Ferruzzi and Montedison subsidiaries which are to be merged.

The agency's circular lays special emphasis on careful preparation of press releases and on the general need to "promote conditions of immediacy and equality in market information." Significantly, it calls on companies to issue clarifying statements when their share prices are being moved by rumours in the market.

In cases of merger, Consob says boards of directors should make public valuations of companies involved and also the criteria used in arriving at valuations. They should also make clear shareholding structure changes.

Again, where capital and debt issues are concerned, the pricing criteria should be revealed, as well as details of consortia which are formed to guarantee the underwriting of new issues. Where companies are acquiring or selling shareholdings or particular branches of activity, values should be publicised, together with the effects on the capital structures, financing and income.

Finally, restructuring or reorganisation should be accompanied by details of the effects on companies' capital structures.

Accountant warns on convertible bonds

BY RICHARD WATERS

COMPANIES which issued convertible bonds shortly before last October's stock market crash may need to set up provisions as a result of the fall in their share prices, Arthur Young, the accountant, has warned.

For Burton, which issued bonds last August, the cost could be £6.9m ($13m) a year, or 4 per cent of its latest reported pre-tax profits. Others affected are Asda-MFI, where a £5.6m annual charge would take 3 per cent off profits, and Lonrho, whose £5.2m charge would reduce profits by 2 per cent.

The convertibles were priced to encourage investors to convert, rather than redeem the bonds on maturity, generally in either 1992 or 1993, said Mr Steve Parkinson of Arthur Young.

But the fall in share prices makes it more likely that investors will opt to redeem the bonds, since the market price on the conversion date could be below the conversion price.

Conversion would expose companies to extra interest costs. Typically, investors who redeem their bonds are entitled to a premium equal to the interest charge they previously passed over for the conversion right.

Companies' decisions about whether to provide for the redemption premiums are likely to be influenced by the difference between their current share prices and the conversion price. Ratners' share price, for instance, stands at 233p, compared with a conversion price of 500p, while Lonrho's 264p is closer to its conversion price of 313p.

Technical guidance issued last year by the Institute of Chartered Accountants in England and Wales, the country's largest accountancy body, says that companies should be prudent and provide for the redemption costs.

But its guidance, which covered deep-discount and other securities, as well as convertibles, is not mandatory, and does not match current practice for accounting for convertible bonds, said Mr Parkinson.

Banks jockey for share of Chinese loan

INTERNATIONAL BANKS are jockeying for a role in the forthcoming US$300m Bank of China loan, the first of a series of borrowings for the Daya Bay nuclear power plant 45km from Hong Kong, Reuter reports from Hong Kong.

Bankers say the Bank of China is negotiating with a number of banks on how to underwrite the loan and on what terms. A mandate has yet to be awarded, though a number of banks, including China Development Finance (Hong Kong), the BOC's own merchant banking arm, are front runners.

"We are very active in China, and the Daya Bay power plant is very important for China," said a Japanese banker. "So we hope to get involved."

The banks' initial concept is to raise 10-year funds divided into three tranches.

The first part would be a conventional tranche of US$100m, which the Bank of China hopes will carry interest at ⅛ per centage point over London interbank offered rate (Libor) for the first five years, rising to 3/16 point thereafter.

The second would be a $40m Japanese tax-spared tranche with interest at 1/16 point over Libor. The tax-spared tranche will be provided only by Japanese banks, which can accept a lower return because a Sino-Japanese tax treaty allows them to deduct withholding tax on interest payments.

The remaining $80m would be drawn down in Hong Kong dollars, with interest at 27.5 basis points over Hong Kong interbank offered rate (Hibor), subject to a maximum 10 per cent for the first five years.

One banker close to the transaction stressed that the structure and terms of the deal are subject to change, depending on market response. He said nothing had been finalised yet.

"The terms proposed by the Bank of China are already tight enough," said another foreign banker. "But some crazy bankers will probably push the interest margins even lower."

"It might well turn out to be another 'friendship' deal," another said.

Bankers said the conventional and Japanese tax-spared tranches could possibly be squeezed by a few basis points, but that would make the loan difficult to syndicate. There are rumours that one Japanese bank is willing to go for a five basis point spread over Libor on the tax-spared tranche.

"The margin could conceivably go below five basis points if it were a private deal," said a Japanese banker. "But I cannot syndicate $40m at that rate."

The biggest problem, bankers say, is with the Hong Kong dollar portion. The BOC wants some Hong Kong dollars because 75 per cent of the plant's future revenue will be in the currency.

However, Hong Kong interest rates have been extremely volatile since the local currency was pegged at HK$7.80 to the US dollar in October 1983. So the bank wants to be protected from that volatility by putting a 10 per cent cap on the Hong Kong dollar tranche for five years, regardless of what happens in the market.

Banks wanting to participate in the loan are now wondering how to hedge their own interest rate risk in case Hibor rises above 10 per cent during the coming five years.

"There is no natural hedge against the cap in Hong Kong," a banker said. "Basically it is a bet on the future."

Another problem with the interest cap tranche is that the proposed pricing is too low, because protection from interest rate volatility should be paid for in the form of a higher return than otherwise needed. One banker suggested the spread should be more than 1 percentage point over Hibor.

CBOE calls for changes to rules on margins

By Deborah Hargreaves in Chicago

THE CHICAGO Board Options Exchange has proposed sweeping changes to its margin rules in an effort to make its margins more responsive to current market volatility.

In its first major attempt to change margins since the October stock market crash, the CBOE has filed a proposal with the Securities and Exchange Commission. "We've discussed it with other options exchanges in an attempt at co-ordination," explains Ms Mary Bender, CBOE legal counsel, "and we expect them to file similar proposals in the next couple of weeks."

Under the new proposal, margin percentages for options would be determined by reviewing price movements over the preceding six-month period. This would result in an initial increase to a 20 per cent margin for equity options – a rise from 15 per cent – and 15 per cent for index options.

The CBOE had previously raised margin requirements on its busy Standard & Poor's 100 stock index option from 5 per cent to 10 per cent on November 2. The proposals also change calculations to determine margin requirements for using certain options strategies which had led to huge losses during October's crash. The end result will be to raise all margins.

Customer options margins are intended to provide a broker-dealer with sufficient funds to re-purchase an option in the market or to compensate for losses incurred in selling an options contract if a customer reneges, Ms Bender explains. "The changes will reduce the number of contracts a speculator can put on and give the broker-dealer more protection should the market move sharply."

In addition, the CBOE says it is working with other options regulators to develop a standardised quarterly review procedure for monitoring and adjusting options margin levels.

The exchange stresses its proposals reflect comments solicited from its brokerage community. The CBOE was hard hit by huge losses among several of its clearing members during the stock market crash and has since made a concerted effort to boost users' confidence in its market.

Argentina debt swaps likely to total $117m

By Our Buenos Aires Correspondent

OVERSEAS DEBTS with a face value of $117m will be converted at an average discount of 54 per cent under Argentina's second debt/equity swap round, banking sources say.

Bankers said the Government will approve 15 projects proposed under debt swap bids submitted by companies and their banking partners. The total cost of the projects involved is $140m. Twenty bids representing projects at a total value of $220m were put forward.

Discounts offered under the bids ranged from 38.1 per cent to 57.1 per cent, but the authorities appear to have drawn the line at just over 50 per cent. This compares with a minimum 35.25 per cent debt discount applied under the first debt swap round last January, when six projects worth more than $100m were accepted to capitalise debts nominally valued at $77m.

Several bids rejected in the first round went through this time, including a $22.7m soft drink bottling plant proposed by Coca Cola to capitalise more than $9m in debt. The biggest offer is a $38m brewery plan backed by the Rio Parana Company and Chase Manhattan Bank to convert $24m in debt at a 52 per cent discount. The Government hopes to convert $300m in debt this year and bankers say it is already half way there.

Wessanen near Campina deal

By Our Financial Staff

WESSANEN, the Dutch foods group, is near completion of talks aimed at selling a Belgian unit to Campina, the dairy company. The transaction would also include Vacca, Wessanen's Dutch sales organisation.

The Belgian unit is a cow milk replacer manufacturer and has an annual turnover of about Fl 60m. Milk replacers are used to feed calves which are raised away from their mothers. The company manufactures mainly for export.

Three Japanese borrowers in equity warrant issues

BY DOMINIQUE JACKSON

THE START of the new fiscal year in Japan prompted three borrowers to issue equity warrant bonds yesterday, providing the only focus of activity in an otherwise lacklustre Eurobond market.

Secondary market business was thin in the absence of fresh trading factors, with Eurodollar bonds locked into a narrow range in tandem with US treasuries. However, dealers noted that Eurodollar spreads over treasuries were narrowing due to lack of supply of new Eurobonds and could narrow further given that few new issues are expected in the short term.

There was little real business from retail investors, though many clients were reported to be making enquiries, signalling that they could be about to return to the market.

Eurosterling issues were supported during the morning by the continued strength of sterling, although profit taking pared gains posted earlier and most issues followed the gilt market to finish marginally lower on the day.

The four equity warrant deals were the first to emerge from the pipeline of similar issues for Japanese borrowers which are expected to be launched during April.

The deal which excited the most interest was a $200m issue through Yamaichi International for Taisei Corporation, a construction company, which featured a four-year maturity, a novelty for the sector following a recent amendment to Japanese Ministry of Finance regulations. Its coupon was indicated at 4 per cent.

Taisei also made a $100m issue with a conventional five-year maturity through Nikko Securities. This carried an indicated coupon of 4.5 per cent and was priced at par.

Both issues were seeing good demand and by the end of the day the four-year deal was at a premium of 3.5 points to issue price and the five-year at a 4.5 point premium.

Mitsubishi Paper Mills launched a $150m bond with warrants due 1993, with an indicated coupon of 4¼ per cent and par pricing, led by Nikko Securities (Europe).

INTERNATIONAL BONDS

Yamaichi International brought Nihon Kohden Corporation, a maker of medical electronic equipment, to the market with a smaller $50m deal on exactly the same terms. The Nihon Kohden issue, guaranteed by Saitama Bank, rose to a three point premium over its par issue price while Mitsubishi Paper was well bid at 106.

Two new Canadian dollar issues were also launched yesterday. The first, for Canada Trustco Mortgage, was a C$150m 10¼ per cent deal due 1993 and priced at 101⅝, led by McLeod Young and Weir International.

Ford Credit Canada, a unit of Ford Motor, issued C$100m of 10 per cent bonds priced at 101¾ and also with a five-year maturity. The issue is guaranteed by Ford Motor Credit, and Goldman Sachs International was the lead manager.

Crédit Suisse First Boston launched a Y5bn issue for Suntory International, a unit of Suntory, the Japanese drinks concern. The issue matures in 1993, carries a 6.5 per cent coupon and is priced at 109⅝.

Declines on Monday in the US treasury market hit prices in the West German bond market when it reopened after the long weekend, but trading yesterday was sluggish. Prices of domestic bonds were down an average of 10 pfennigs compared with Thursday's levels, while Euro-DM issues, with a few exceptions among newer issues, were marked down generally by 10 to 25 pfennigs.

The Swiss market also reopened to slow trading, but prices managed to edge 25 basis points higher on average in the secondary market.

A SFr150m convertible issue, due 1993, for Advantest, a Japanese manufacturer of semiconductor testing equipment, was priced. The coupon was set at 1⅝, compared with the indication of 1¾. It carries a 5 per cent conversion premium.

Two issues traded for the first time. A SFr200m, 12-year, 4⅞ per cent issue for Ireland fell to 97¾, in line with last week's indications, compared with its 100⅞ issue price. A SFr200m, five-year bond with a 4⅞ per cent coupon for the Leeds Permanent Building Society traded at 99¼, 1¾ points below issue price.

Late in the day, Goldman Sachs launched a $150m issue of collateralised floating rate notes for City Fed Capital Corporation, a unit of City Federal Savings Bank.

The notes mature in April 1993 and the interest rate payable will be 20 basis points over London interbank offered rate.

Von Roll holds payout despite decline

BY JOHN WICKS IN ZURICH

VON ROLL, the Swiss steelworks and engineering company, proposes the payment of unchanged dividends of SFr15 per bearer share and SFr6 per registered share and participation certificate, following a fall in parent company profits from SFr10.9m to SFr7.7m ($5.7m).

Consolidated group earnings improved by 31 per cent to SFr34m, however, after cash-flow had risen by 15.8 per cent, to SFr88m. These increases took place despite a 1 per cent decline in Swiss franc group turnover.

"Substantial" profits were booked by New Jersey Steel, the US mini-steelworks subsidiary which expanded its capacity. Earnings also improved in the foundry/pipes and the plant/machinery divisions. Poor export prices led to cuts in production by the group's two Swiss steelworks, however.

On January 21 of this year, Von Roll took over the Swiss-based Isola Group from United Technologies of the US.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 5

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	96¾	97	−0¼	−0¼	8.55
All Nippon Air 9⅞ 97	100	96¾	97¼	+0¼	−0¼	9.87
American Brands 8⅞ 92	150	98¾	99¼	−0¼	−0⅝	9.14
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅞ 92	55	103	103¼	+0⅛	+0⅝	4.61
Belgium 4⅝ 94	45	98⅝	98¾	+0⅛	+0½	4.91
Canada 4⅞ 92	80	99½	99¾	+0¼	+0⅝	4.47
[illegible]						

UK COMPANY NEWS

SECOND 'ESSENTIAL MOVE' TOWARDS THE CREATION OF A NATIONAL MAIL-ORDER BUSINESS WITH A DIFFERENCE

Next in agreed £21m bid for Alfred Preedy

BY NIKKI TAIT

Next, the fashion chain and mail order group, yesterday made its second major foray into the newsagents business, with a £21m recommended bid for Alfred Preedy, the West Midlands-based company which runs a 175-strong chain of shops.

The deal follows last July's £28.5m acquisition of Dillons, another chain of newsagents, and means that Next will now have a total of 540 "neighbourhood shops," of which over 400 are newsagents.

Although happy to retain the traditional CTN (confectionery, tobacco and newpapers) business, Next stresses that it sees these outlets as an essential link in its expanding mail-order business. This is being built up on the back of the 1986 Grattan acquisition. In January the first Next Directory was launched and 500,000 copies have been sold.

"These outlets represent an opportunity for something between mail order and the high street," said Mr George Davis, the company's chairman, yesterday. He views the shops as ideal alternative collection points for mail-order deliveries. Looking further ahead to the age of electronic home shopping, Mr Davis suggests they could play a larger role as collection and ordering points.

Next also sees scope for extending the outlets' traditional activities - Dillons' shops have already added certain convenience items, such as food and ranges of hosiery.

Preedy takes in 140 CTN shops, spread from South Wales to Kent and the Midlands to Yorkshire. These range in size from kiosks to retail outlets of 1,500 sq ft and trade under the Preedy and Alf's names. The remaining 35 sites are stores specialising in stationery, books and toys. Average store size is 3,000 sq ft. According to Next, there is little overlap with Dillons – indeed, the two companies recently considered merger possibilities.

Preedy, however, has recently seen uneven results. In 1985/6, pre-tax profit fell to £383,000 from just over £1m, before recovering to £853,000 in the year to end-March 1987. Sales in 1986/7 were £76.3m, and net assets at year-end stood at £9.9m.

The terms of the Next offer are 11 new Next shares for every 12 Preedy, which – with Next down 4p at 257p, and new shares not ranking for the final dividend – values each Preedy share at 231p and the entire company at £21m. There is a cash alternative of 225p a share, which will be funded from existing resources. Yesterday, Preedy shares jumped 71p to 228p.

The deal, already backed by the board and irrevocable acceptances in respect of 39.9 per cent of the shares, was quickly sealed as Next's advisers picked up a further 10.15 per cent stake through the market yesterday morning. Next now controls 50.04 per cent.

George Davis: scope for expanding Preedy's range

H&C buys Woodburys in £4.8m deal

By Jill Insley

Harrisons & Crosfield, the chemicals, building supplies, feedstuffs manufacturer and overseas trader, is buying Woodburys, a US timber and building supplies group, for $9m (£4.77m).

The proposed acquisition is the first part of the company's plan to develop its operations in the US. Woodburys has nine outlets in the states of New York and Vermont, supported by a bulk distribution depot in Glens Falls, New York State.

Woodburys made sales of $41m (£21.7m) and trading profits of $1.9m (£1.01m) after adjustments, for the year ended November 30 1987.

Mr George Paul, chief executive of H&C, said Mr Brian Jermyn, a director of Sabah Timber Company, would be sent as manager of Woodburys to learn about the North American market before H&C invested in more timber and building supplies outlets there.

Bunzl shares fall as 33% profits advance disappoints City

BY CLAY HARRIS

Bunzl, paper distribution, specialist manufacturing and transport group, increased pre-tax profits by 33 per cent to £85.7m in 1987. The result fell short of City forecasts, even though Bunzl's move to the yearly average method of currency translation boosted the pre-tax total by nearly £5m.

Bunzl shares lost 13p to close at 144p.

Mr James White, chief executive, said pre-tax profits had been reduced by between £6m and £7m because of disappointing performance in three activities: UK express parcels and consumer plastics and US building materials distribution.

Nevertheless, all five of the group's divisions had achieved record profits. Businesses acquired in 1986 and 1987 accounted for 75 per cent of the profits increase, with the rest coming from organic growth, Mr White said.

Bunzl's effort to address the three problem areas should be reflected in 1988 results, Mr White added. In the UK, new management had been installed in consumer plastics, and annual costs of the parcels operation had been reduced by £5m through a £750,000 programme of redundancies and depot closures.

In the US, results from the Hudson Group, bought at the beginning of 1987, had been restrained by the loss of an important window franchise in Chicago as well as by the oil-related downturn in construction activity in areas served by branches in Colorado and Missouri.

If Bunzl had retained year-end currency translation, pre-tax profits would have been only £80.9m. The restated 1986 profit of £64.5m is only marginally below the originally reported figure of £64.8m. Even using the new method, the strength of sterling reduced profits by £2.9m.

Turnover expanded by 37 per cent to £1.47bn (£1.07bn). By division, distribution contributed profits of £28.5m (£22m), merchanting £9.5m (£8.5m), transport £11.7m (£10.5m), Filtrona £15.5m (£11.5m) and industrial £14.9m (£11.3m).

The group made a profit of £5.3m (£0.5m) on the sale of investments, including a 2.8 per cent stake in building materials and packaging group Norcros which Bunzl sold in March last year.

Commenting on Bunzl's equity investments, Mr White said: "We will only invest in areas in which we could legitimately be interested in the future of the company. We are not into punting on the Stock Exchange."

Earnings per share grew by 10 per cent to 13.1p (11.9p). A recommended final dividend of 2.9p (2.45p) raises the total to 5p (4.2p).

Continuing operations generated net cash of £18.4m in 1987, compared with an outflow of £26.7m in the previous year.

Bunzl wrote off £79.1m in goodwill, about half the total it spent on acquisitions. This contributed to a reduction in shareholders' funds to £260.2m (64p per share) from £313.7m (77.3p) at the end of 1986.

Gearing has risen to 60 per cent from the end-1987 level of 24 per cent because of subsequent acquisitions.

● York Trailer Holdings, a subsidiary of Bunzl, increased 1987 pre-tax profit to £2.44m from £1.16m. Turnover was raised to £48.22m (£31.38m).

See Lex

Wilson Connolly jumps 43% in bumper year

BY PHILIP COGGAN

Wilson (Connolly) Holdings, the housebuilding group, announced yet another year of bumper profits with a 43 per cent increase to £37.4m in the year to December 31.

The bouyant housing market helped the group's housebuilding subsidiary, Wilcon Homes, to increase profits by 47 per cent to £33.1m (£22.3m). Wilcon benefited from selling a large number of houses in East Anglia, where prices are rising faster than the national average.

The average price of Wilcon homes increased from £38,000 to £45,000 and the number of units sold rose from 2,350 in 1986 to 2,600 last year. Wilcon has a land bank of 13,100 plots.

However, Mr Ian Black, the finance director, said that the company was concerned that house price rises were carrying homes out of the reach of first time buyers. Wilcon is looking to design smaller units which will sell at a price first time buyers can afford.

The property division increased profits to £4.5m (£3.4m), including trading profits of £2.1m and rents of £2.2m. The only disappointment was the construction division which lost £200,000 over the year, thanks to two poorly performing contracts in the London area.

Pre-tax profits of £37.4m (£26.3m) were recorded on turnover up 27 per cent to £146m (£115m). After tax of £13.5m (£9.53m), earnings per share were 42 per cent higher at 27p (19p).

Wilson is paying a final dividend of 3p (2p) making a total of 4p (2.8p) and is proposing a one-for-one scrip issue.

● comment

Net margins of 25 per cent, earnings up 42 per cent, cash balances of £10m, a land bank of five years duration; it is hard to find a flaw in Wilson (Connolly)'s figures. Wilcon has prospered without touching the top end of the housing market - its average house price of £45,000 would scarcely buy a broom cupboard in Kensington. And the evidence of past property slumps is that first time buyer house prices are fairly resilient. Nor is the budget limitation on mortgage tax relief expected to have much impact - latest estimates are that there are only 50,000 dual mortgages of over £30,000 in the UK. The snag is that Wilson's inherent advantages do not come cheap. Assuming £45m pre-tax this year, the prospective p/e on last night's share price of 375p is 11, a premium to the sector. Investors can probably afford to wait for any weakness before buying.

Hanson in S.American disposals

By Nikki Tait

Hanson, the UK conglomerate, has sold on various interests in Latin America belonging to Glidden, the coatings and resins company which it acquired through its $930m (£493m) acquisition of SCM in 1986.

The businesses – which comprise all of the Glidden paint operations in Panama, 60 per cent of its operations in Costa Rica and 63.3 per cent of the Ecuador business – have been sold to H B Fuller Company, a NASDAQ-traded US coatings and adhesives group. The purchase price is $15.3m cash.

In the year to end-September, these operations had sales of $20.6m and made pre-tax profits of $3.2m. Net assets were $10.9m.

The largest part of Glidden – its US and Canadian operations – were sold to Imperial Chemical Industries, the British chemicals group, for $580m in 1986. Hanson still retains the paint operations in Mexico, but said those could be sold. The sale of SCM assets according to Hanson, has now brought in over $1bn.

Hanson also announced the completion of the sale of the Kaiser Cement plant in Lucerne Valley to Mitsubishi Cement Corporation for $185m cash plus about $8m cash for stocks.

Enlarged UDO rises 92% to £29.6m midway

UDO Holdings continued to report rapid profits expansion in the six months to end-January 1988.

On turnover ahead from £12.21m to £29.58m, taxable profits of this supplier of drawing office equipment and specialist reprographic services rose by 92 per cent to £2.69m. Earnings per 10p share worked through at 6.3p (4.4p).

Mr Terry Rutter, chairman, said that the majority of the integration of Aarque Systems and Harper & Tunstall, both acquired during 1987, had now been completed. As part of the reorganisation of the enlarged UDO group, the range of manufactured products had been streamlined, and surplus properties disposed of.

Mr Rutter said that a major promotion campaign is set to commence during May to develop and inform the group's larger customer base of its complete range of products and services. The promotion will include the group's first catalogue - a significant selling aid to the sales force, Mr Rutter added.

The interim dividend is set at 0.72p (0.6p).

Helene of London ahead

BY ALICE RAWSTHORN

Helene of London, clothing group, yesterday announced a 23 per cent increase in pre-tax profits to £2.15m for 1987 and signalled its intention to embark upon further acquisitions.

Mr Monty Burkeman, chairman, said that the group had fared well throughout the year until the autumn when pre-Christmas sales sported unexpectedly low sales growth. He attributed this to the impact of the stock market crash in depressing retail confidence.

Sales rose to £34.46m (£30.16m). Tax took £705,000 (£665,000) but the group received an extraordinary credit of £274,000 because of an over-provision for a dispute with the Inland Revenue made several years ago.

Earnings per share increased to 3.2p (2.7p) and the board proposes to pay a final dividend of 1.13p making an unchanged total of 1.63p.

The group – which manufactures and imports garments – was reorganised during the year. Its management team was strengthened with the appointment of new executive and non-executive directors.

Helene also sold Jennifer Jay, a children's wear company, retaining an option to buy it back. The Peter Barron subsidiary returned to profit following a cost cutting exercise.

The company raised around £6m by staging two rights issues during the year. The proceeds have eradicated its borrowings and enabled it to buy Targatex and Arrow, two fabric companies. Mr Burkeman said that Helene is now looking for further acquisition opportunities, principally within the clothing field.

Bond has nearly 10% of M&G

BY NIKKI TAIT

Bond Corporation, the Australian company headed by Mr Alan Bond, continues to nudge up its stake in M&G Group, Britain's largest unit trust company. It now holds 7.65m shares or 9.97 per cent. The previous notification, in early March, was of a 9.23 per cent interest.

The latest increase comes in the wake of some modest purchasing by the Esmee Fairbairn Charitible Trust, which has publicly affirmed its support for M&G's independence. Last week, the trust announced that its interest had risen to 31.65 per cent.

Carless to pay £6m for bottled gas supplier

By Steven Butler

Carless, Capel & Leonard, independent oil company, is expanding into the bottled gas business with the £6m acquisition of Sigas announced yesterday.

The business, which is private, is concentrated in the south east of England, and Mr Ian Clubb, Carless managing director, said Carless aimed to create a national business and would be investing in new facilities for the bottling and distribution of propane and butane.

The acquisition is to be paid for with £5.5m cash and the balance satisfied by the issue of 465,983 Carless shares. Mr Clubb said Sigas was not large enough to require disclosure of profit and sales information, although he described the business as highly profitable.

Carless currently has a petroleum fuels and marketing division as well as a specialty refining operation.

The UK bottled gas market is dominated by the Calor Group, which is proceeding with plans to hive off a separately-listed oil exploration and production company, Acre Oil, made up in part from the Calor subsidiary, Century Power and Light.

Carless, however, has threatened legal action to block the deal should Calor not come to terms over Carless's 41.18 per cent minority stake in Century.

Calor is likely to seek resolution of the negotiations in advance of a scheduled shareholders meeting on April 11.

Home Counties advances

A 56 per cent increase in pre-tax profits, from £1.68m to £2.63m, was announced by Home Counties Newspapers Holdings for 1987.

The proposed final dividend is lifted from an adjusted 3.375p to 5p for an improved total of 7.5p (5p adjusted). After tax of £953,000 (£579,000), earnings were 33.5p (22.05p).

Turnover rose by 15.7 per cent to £14.4m (£12.44m) generating trading profits of £2.16m (£1.41m). Investment income was higher at £466,000 (£269,000).

Tubular Exhibition in 70% growth

For the 10 months ended January 31 1988, Tubular Exhibition Group, formerly Djember Holdings, which joined the USM last October, reported a 70 per cent increase in pre-tax profits to £328,000 against £193,000 for the year to March 1987.

Turnover for the company, which makes and hires crush barriers, scaffolding and structural steelwork for exhibitions, was lower at £2.05m (£2.44m).

Sir David Floyd Ewin, chairman, said he was confident that the excellent results achieved in the first ten months would be continued throughout the year. There is no interim dividend but the directors intend to recommend a final.

The company has changed its year end to July 31 and the current period will be for the 18 months to July 1988. The change will more accurately reflect the group's underlying growth by allowing the income from the biannual Farnborough Air Show to accrue evenly each year.

Earnings per 5p share rose from 0.3p to 0.53p after tax of £115,000 (£83,000).

The acquisition of Tubular Barriers and its subsidiaries are accounted for by merger accounting.

STV starts its diversification

BY RAYMOND SNODDY

Scottish Television has made its first acquisition outside the television industry with the purchase of Pauline Hyde & Associates, the re-employment counselling service, in a deal that could be worth £6.5m.

The acquisition is part of a diversification strategy at STV, the independent contractor for central Scotland.

Sir Campbell Fraser, chairman, said yesterday: "It has never been our intention to run away from television but we have made it clear over a number of years that we feel one third of our profits should arise from activities other than television."

PHA's business is "outplacement" – providing a specialist service to major companies on "career transition programmes." This can mean trying to cope with the effects of redundancies and last year PHA won the contract to provide outplacement counselling in the wake of the closure of the Caterpillar plant in Scotland.

But PHA's work is just as likely to involve the casualties of personal chemistry and internal politics in organisations or as Mrs Pauline Hyde, PHA chief executive terms it "the new managing director syndrome."

Last year PHA, which is about to open an Australian office, charged companies 15 per cent of a director's salary plus a fee of £850. It says that 76 per cent of those counselled were able to continue their careers in an average time of 17 weeks.

Since 1978 PHA has been built from a one person non-profit making company designed to help the 40 plus executive, to an organisation with an annual turnover of £2.5m and adjusted pre-tax profits of £480,000 in 1987.

STV will make an initial payment of £2.6m, made up of £850,000 cash and the balance in shares for all of the equity. Further payments up to a maximum of £3.9m will be linked to profits levels between now and the end of 1990.

Mr Alan Montgomery, finance director of STV, said further acquisitions in related areas of executive recruitment, market research and public relations were possibilities.

Mr John Sanderson, broadcasting analyst at stockbrokers County Securities, a company that has recently used outplacement counsellors to advice staff who lost their jobs because of the stock market crash, said yesterday: "If you accept their strategy (of diversification) then this looks a good buy."

STV, which later this month is expected to announce 1987 profits of £10m, up from £8.07m, has also recently announced plans for expansion in films and television. Last month it set up a feature film making arm and has formed a California-based programme development company, MAC-III Productions.

Anglo Utd. swap plan with B&H approved

By Nikki Tait

The complex asset swap scheme between Anglo United, open-cast coal-mining and fuel distribution company, and troubled coal-mining and property company Burnett & Hallamshire, was approved at extraordinary meetings of B&H's shareholders yesterday.

Under the deal, Anglo will acquire Rushcliffe, B&H's solid fuel distribution subsidiary, and Seaham Harbour Dock.

B&H will take on Anglo's UK coal business, Coal Contractors. As part of the net consideration, Anglo will also end up with a 31 per cent interest in the reshaped B&H.

Yesterday's approval coincided with news of the £2.87m purchase by Anglo of the Balderton Group.

This is a privately-owned solid fuel distributor, based in Wrexham. In the year to end-October, it made pre-tax profits of £206,000 on sales of £12.4m, and had net assets of around £384,000.

The purchase price will be met by £1.88m cash plus new shares worth £1m. Of the new shares, 25 per cent will be issued at 45p, and the remainder – £750,000-worth – at the middle market price on the first day of dealing following the relisting of Anglo shares.

Shares in both Anglo and B&H have been suspended ahead of the sale and purchase of their respective subsidiaries.

PWS acquires aviation reinsurance broker

BY NICK BUNKER

PWS Holdings, the medium-sized Lloyd's insurance broking group, plans to make its second acquisition of this year by buying the HA Group, a London aviation reinsurance broker, for up to £3.95m.

Total cost of the deal could be another £2.5m higher however, because PWS plans to repay HA's outstanding debts.

The acquisition is also expected to reduce PWS's profits in the second half of this year, the group said.

PWS shares closed unchanged last night at 176p. The group said the acquisition would strengthen what it called its already broadly-based operations and allow it to give its clients better service.

The deal comes at a time when aviation insurance and reinsurance brokers, including the HA Group, are under heavy pressure from a steep fall in premium rates and from the weakness of the dollar, the main currency for international aviation insurance transactions.

PWS believed it was buying at the right time because underlying expansion in the world's air traffic would be reflected in aviation insurance business available in future.

It plans to pay an initial £3.5m for HA made up of cash and 100,000 new shares, plus an extra £450,000 if HA meets a target post-tax profit of £450,000 for the year ended March 31 1988.

In 1986-87, HA made pre-tax profits of £692,000 and earnings of £281,000, down from £1.03m and £593,000 respectively the previous year.

HA operates in London via a subsidiary, Harrington Austin. Aviation reinsurance makes up 86 per cent of its business; the remainder is mainly non-marine reinsurance.

Pegasus soars to £863,000 in first half

Pegasus Group, which specialises in the supply of business microcomputer software and supplies, has seen pre-tax profits surge to £863,000 in the half year ended January 31 1988.

Following rationalisation, which led to the sale of all 15 Brikat Business Centres and closure of Micro Systems (Distributors), turnover of this USM-quoted group in the period fell to £3.49m (£6.52m) but the operating profit increased to £849,000 (£338,000).

Pre-tax profit compared with £239,000 last time and with £584,000 in 1986.

Earnings per share grew from 2.1p to 10.5p and the interim dividend is up to 2.25p (0.75p).

Technology Project rises 30%

BY CLARE PEARSON

Technology Project Services, engineering and technical staffing contractor, lifted pre-tax profits by 30 per cent to £1.12m in the year to December on turnover increased to £9.48m (£7.85m).

Earnings per share advanced to 15.3p, a 34 per cent rise on 1986.

Mr Richard Avery, chairman, said the search for acquisition targets, particularly in the United Kingdom, would be a priority in the coming year.

Revenue growth last year came mostly from Continental clients, who contributed £4.4m to turnover, a 45 per cent increase.

But the UK's contribution was virtually static at £5.1m. This partly reflected lower demand for staff for defence projects following cuts in the UK defence spend.

The bulk of the company's UK business is presently defence-related.

Its other main markets are the telecommunications, aerospace, electronics, and oil industries.

The company claims it is the Western European market leader in supplying engineers with first degree qualifications and above on a contract basis. Acquisition targets might be companies specialising in supplying lower level engineering personnel or catering for a specific sector, such as the nuclear industry.

Last year, it looked at a string of possible acquisitions and turned them all down but said lower p/e ratios this year make a purchase more likely.

Technology Projects, which was floated on the Stock Exchange in May 1986, has very low fixed costs, employing only 21 people. But it spent some £400,000 on new computer and telephone systems, and a move to larger premises in London last year.

The tax charge for the year was £384,000 (£312,000). The proposed final dividend of 2.66p makes a total of 4p for the year (3p).

Victualic

Victualic, the pipeline products company which will shortly join the stock market, yesterday announced a 20 per cent rise in pre-tax profits to £6.5m in the year to December 31, 1987.

The company was the subject of a management buy-out from British Steel in 1983.

County Props. will give up listing if bid succeeds

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

County Properties, controlled by the Guthrie family, will give up its Stock Exchange listing if a bid by Broadland Properties, a private company also controlled by the Guthrie family, is successful.

The merger is supported by shareholders of 71.7 per cent of the voting rights, but it needs 90 per cent to be approved.

The offer by Broadland, which owns Hever Castle in Kent, was pitched 44 per cent over the middle market price prevailing before Easter of County 'B'.

The County shares, in which there is only a small market, yesterday were marked up to 201p, close to the bid price, before closing at 195p for a gain of 53p.

Broadland is offering 205p cash for each County 'B' share and 10p cash for each County preference share. The price excludes the 2.9p dividend, payable today, on the 'B' shares and 5.6p net to be paid on the preference shares.

The existing stake of Broadland in County is 47.6 per cent both for the 'B' shares and the preference shares. Mr John Guthrie and Mr John Malcolm Guthrie are directors and shareholders of both County and Broadland. Their County shares are included in undertakings to accept the Broadland offer bringing total acceptances so far to 84.5 per cent of the preference shares and 69.1 per cent of the 'B' shares.

Telfos buys 5.1% stake in Baldwin

By Clare Pearson

Telfos Holdings, the metals and metal spraying company, has bought a 5.01 per cent stake in Baldwin, the Nottingham-based property, clay and concrete products and engineering concern.

Mr John Beaumont, Telfos' finance director, said it was highly unlikely the holding would lead to a full bid for Baldwin.

Telfos regularly makes investments of this size, he said.

Baldwin's market value was £8.7m at yesterday's closing price of 120p, unchanged on the day.

UK COMPANY NEWS

Beds side boosts Silentnight to £8m

BY ANDREW HILL

PROFITS AT Silentnight Holdings, bedmaking and home furniture company, increased by 60 per cent to £8.44m before tax in the year to January 30, against £5.27m in 1986/1987.

Mr Christopher Burnett, chief executive, said the growth came almost entirely from existing businesses, including the bedmaking division, which claimed to have increased its UK market share to 30 per cent.

He attributed the improvement to a successful £2m advertising campaign for the group's Silentnight and Sealy beds. The company will spend £3m on advertising its beds this year.

Bed sales of £65.5m (£53.8m) accounted for more than 60 per cent of group turnover, which rose to £106m (£86.5m). Earnings per share increased to 11.58p (7.31p).

Turnover in the upholstery division was £24.2m (£20.7m), cabinet furniture sales went up to £7.8m (£5.2m) and international sales increased to £6.9m (£5.7m). A small service subsidiary contributed the balance of £1.2m.

Silentnight said margins improved from 6.3 to 7.7 per cent as quality and service were enhanced and overheads cut. The group also benefited from the strength of the pound which reduced the real cost of raw materials bought in Belgium and Sweden.

Mr Burnett said further efficiency and service improvements were possible this year, and hoped to increase margins by refining and adding value to existing product designs.

The board is recommending a final dividend of 3.5p, making 5.25p (8p) for the year.

● **comment**

Silentnight will do well to match last year's impressive organic growth and analysts expect pre-tax profits of about £9.5m in 1988, putting the shares on a prospective p/e of around 11. However, the company should lay the groundwork for future growth, and aims to improve still further the public's recognition of Silentnight products. An increased advertising budget has been set aside for bedding this year and that division's successful marketing team has been transferred to upholstery. Borrowings are low and the group is now eyeing bedmakers in the US and Europe. It has also declared an ambition to expand into the office equipment market, where margins are as high as 40 per cent. The founding Clarke family still holds 52 per cent of the company and the market in remaining shares is very tight. Since the group's emergence from the shadow of the 1985/86 industrial dispute they have looked fairly valued and rose 3p yesterday to close at 146p.

Profits rise for Elys

Elys (Wimbledon), department store, revealed a 51 per cent expansion in taxable profits to £713,000 for the year to end-January 1988.

The result was scored on turnover up from £9.05m to £10.44m. Tax took £249,000 (£147,000) and earnings per share rose to 38.7p (27.2p).

A final dividend of 11p is recommended, making 12p (10.5p) for the year.

Berry Birch

Berry, Birch and Noble achieved a small rise in pre-tax profits from £909,155 to £955,159 in the year to January 31 1988.

Turnover in the period under review rose 20 per cent from £4.08m to £4.92m. A final dividend of 3p is to be paid, making 4.5p (2.8p) for the year, on earnings per share of 10.4p (9.3p).

Sintrom lower

Turnover of Sintrom increased from £16.08m to £17.58m, but a fall in interest receivable and other income contributed to a lower outcome at the pre-tax level of £1.01m for 1987 against £1.08m.

Earnings increased to 7.7p (6.9p) after tax of £312,000 (£463,000). Both the final and the total dividend for the year are unchanged at 1.45p and 2.2p respectively.

Milford Docks losses sharply lower so far

BY CLAY HARRIS

Seacon Holdings, shipping and cargo handling group, said tight controls on operational costs had sharply reduced losses at Milford Docks Company, the Welsh harbour operator which it rescued in September.

Construction of a new ice factory at Milford Haven, the first phase of Seacon's plan to attract fishing industry back to the port, is expected to be completed this year. If this proves successful, Seacon intends to build a fish market.

In the nine months to September 30, Milford lost £85,605 after an extraordinary credit of £249,184 arising from interest waived by Standard Chartered Bank as well as a written-back provision relating to potential losses on the Golden Lion Hotel in Dolgellau, Gwynedd.

This compares with a total loss of £1.06m for the previous 12 months. There was no tax charge in either period. Nine-month turnover was £846,934, against £1.2m in 1986.

Milford, the oldest public company in Wales, is now only a small part of Seacon, formerly a privately owned group based in London's Docklands. Seacon's original businesses increased pre-tax profits by 4.6 per cent to £654,228 in the year to September.

The company did not report consolidated profit and loss figures for 1986-87. There is no dividend, although Seacon said it expected to recommend one for the current year.

Triplevest asset down

Triplevest investment trust had a net asset of £15.4 per £1 capital share at end-February 1988 against £17.18 a year earlier and £20.09 at August 31 1987.

A final dividend of 7.06p (6.41p) is recommended, for an improved 14.531p (12.979p) total to be paid from earnings per 50p income share of 14.531p (12.979p).

House Lerose falls 39%

Difficult conditions prevailing in the UK garment market have again hit profits at House of Lerose, Birmingham-based womenswear group.

In the 12 months to end-December, taxable profits fell 39 per cent to £1.1m on turnover down from £17.16m to £15.96m. Tax took £416,000 (£542,000), leaving earnings per share down to 12.1p against 22.5p last time.

A final dividend of 6.7p is proposed, making 9.7p (9.4p) for the year.

Orient-Express back in black

Profits on hotel disposals enabled Orient-Express Hotels, the leisure and property group, to climb out of loss in 1987 for the first time since 1982. The company also said the Venice-Simplon-Orient-Express luxury rail passenger service had achieved its first net profit.

Orient-Express reported pre-tax profits of $12.8m (£6.8m) against a loss of $15.5m in 1986. However, this figure included the $19.6m profit of hotel disposals. On the same basis, earnings per share of $1.24 on continuing operations compared with a $1.64 loss in 1986.

Beacon in the red

Aggravated by higher financing and reorganisation costs, the Beacon Group of cookware and small domestic appliance makers finished with a loss of £1.36m in 1987, compared with £279,000.

The group, formerly Mellerware International, pushed up its 1987 turnover from £14.3m to £15.48m.

Loss per share was 20.2p (3.53p) and there is no dividend, against an interim only of 1.1p for 1986.

Sims Catering

Sims Catering Butchers, the acquisitive meat processor run by Mr Ron Randall, is to pay £4.07m in shares for North Yorkshire-based meat supplier Holmesterne Farm Company.

APPOINTMENTS

Guardian Royal Exchange chairman

GUARDIAN ROYAL EXCHANGE will elect Mr Charles Hambro as chairman, following the annual meeting at the end of May. He is deputy chairman, and has been a director of GRE since 1957. Mr Hambro, who is also chairman of Hambros, will succeed Mr Tim Collins, who is retiring. Mr Julian Sheffield, chairman of Portals Holdings, will become deputy chairman of GRE.

★

RICHARDSONS WESTGARTH will appoint Mr Roger Payton as chairman following the annual meeting on April 28 – he has been a non-executive since 1972. The present chairman, Mr David Burnet, is not seeking re-election because of other commitments. ★ Mr Harry S. Fields, managing director of Lanton Leisure, has joined the board of EDENDERRY GROUP.

★

Mr Roy Thomas, finance director Fisons, has been appointed a non-executive memeber of the board of LONDON REGIONAL TRANSPORT.

★

NICKERSON INVESTMENTS has appointed Mr Alan J. Jones as managing director of Nickerson Fuel Oils, and Nickerson Lubricants, and as a director of Nickerson Transport. Mr Eddie S. Robson has retired from the fuel oils and lubricants companies, but will remain on the board of Nickerson Investments.

★

INVESTORS IN INDUSTRY GROUP (3i) has appointed Sir Max Williams as a non-executive director. He is joint senior partner of Clifford Chance. Mr J.D. Eccles has retired from 3i board.

★

Mr R.D. Peterson has been appointed a director, and Mr J.L. Jerman an assistant director of BROWN SHIPLEY INSURANCE BROKERS.

★

Mr John C. McLean has been appointed regional director - Asia, and group country manager - Hong Kong, based in Hong Kong, for MIDLAND BANK from June 1. He currently has responsibility for the region based in London, and was previously group country manager in Singapore. He succeeds Mr Charles D.H. Bryant who has been appointed chief operating officer of the bank's group operations in Australia.

★

BAIN CLARKSON has appointed Mr Malcolm Brown as managing director, Newcastle; Mr Glyn Edwards, as director, Cardiff; and Mr Graham Wright, as director, Bradford.

★

SCHRODER ASSEILY & CO. has appointed Mr R. Clive Smith as a director from April 5, in charge of the investment management division. He comes from the National Bank of Abu Dhabi, where he was general manager and head of the merchant banking division.

★

Mr John G. Durban has been appointed managing director of ACATOS & HUTCHESON; Mr I.S. Hutcheson remains executive chairman. Mr D. Billing has been appointed a consultant director on retiring from executive duties.

★

Mr Rupert Roderick Faure Walker has been appointed to the board of HANOVER PROPERTY UNIT TRUST. He is a director of Samuel Montagu & Co in the corporate finance department.

★

DOWTY & SMITHS INDUSTRIES CONTROLS has appointed Dr Graham K. Thornton as managing director following the retirement of Mr Noel Hemming. Dr Thornton joins from the transducer division of Schlumberger Industries where he was group technical director.

★

Mr Peter Larcher has been appointed to the new post of contracts manager of EMSON CONSTRUCTION, Saffron Walden. He was construction director of Nico Construction.

★

Mr Mike Morley has been appointed sales director of HART INDUSTRIAL DOORS, Newcastle upon Tyne.

★

Mr N.E. Harding, Mr M.R.C. Hounsfield and Mr R.T. Race have been appointed to the board of CHARLTON SEAL, stockbroking division of Benchmark Group.

★

Lonrho has appointed Mr Douglas Brown as chief executive of the group's general building contractor, FASSNIDGE, SON & NORRIS. He was chief executive of Walter Lawrence Construction.

★

Mr Richard Curry and Mr Kevin Farrow have joined the board of DE MORGAN RETAIL, of which Mr Adrian de Morgan becomes chairman and Mr Tom Hutton finance director and company secretary.

UK COMPANY NEWS

Monotype up 41% to near £5m

BY VANESSA HOULDER

Monotype, the USM-quoted manufacturer of laser-based phototypesetting systems, increased pre-tax profits for 1987 by 41 per cent from £3.45m to £4.85m. The result was scored on turnover up 19.2 per cent at £39.69m.

Earnings per share rose by 31.8 per cent to 21.3p.

Mr Roger Day, chairman, reported a very successful year in international newspaper markets - which represents some 40 per cent of the company's business. Furthermore, corporate publishing, a new field for Monotype, had a most encouraging start, he said.

Mr Day said that growth in new ventures and acquisitions was accelerating. The company has made eight acquisitions, joint ventures and new company formations since it was refloated after a troubled decade on the USM in May 1986.

Pre-tax profits included a £0.7m profit arising from property dealing. The group has obtained planning permission for a 18 acre industrial site, part of 140 acres it owns at Redhill, in Surrey's greenbelt. Contributions from property are likely to be significant, but variable in future, as the development of the site progresses, said Mr Day.

The company is proposing to move its share quotation to the main market in the near future to ease further overseas expansion. In February, the company made a £1.74m placing in France to refinance the cash acquisition of the typesetting equipment supplier Graphic Systems Equipement.

The company highlighted digital data communication as a source of future growth. It has made three acquisitions-Intertec, Commandercom and Easydata-in this area in the past fifteen months.

The directors will be recommending a final dividend of 3.6p per ordinary share making a total for the year of 5.3p.

● comment

For a company that has been twice rescued from collapse in the past 10 years, Monotype's performance is indeed impressive. Thanks to its technical prowess and the international clout gained from a worldwide distribution network the company has gained 215 newspaper clients in 32 countries since 1977. Elsewhere, inhouse publishing - by which brokers and the like can produce a few thousand copies of a document overnight - also made rapid strides. After starting from scratch 18 months ago it now represents some 5 per cent of the group's business. Monotype is now using acquisitions both to gain access to new research and development work and to increase market share. On the latter score, the emphasis will be on the US where Monotype would like to more than double its business. Pre-tax profits this year should come close to £6m which puts the shares at 215p - up 2p - on a prospective p/e ratio of 8.5. With more new products in the pipeline, the shares look attractive.

Allied London purchases Midlands builder

BY ANDREW HILL

Allied London Properties, is doubling the size of its housebuilding operation with the £8m cash acquisition of Cooper Developments (Midlands).

A further £166,000 is to be paid to the vendors' pension fund for the company's office premises at Lichfield, Staffordshire. The vendors have bought certain assets not needed by Allied from CDM for £1.1m, reducing the effective cost of the deal to about £7m.

Last year, Allied raised nearly £40m with a rights issue. Since then, it has paid off bank borrowings and will have about £20m in cash after this purchase.

The acquisition will complement Allied's existing housebuilding subsidiary, Sterling Homes, and Mr Geoffrey Leigh, chairman, said he hoped to expand that operation.

CDM is currently developing six residential sites in the Midlands and has a land bank sufficient for at least three years. Last year it made profits of £1.1m and the directors valued its assets at the time of sale at £10m.

Monopolies to probe Gang–Nail acquisition

By Clay Harris

The Monopolies and Mergers Commission is to investigate the acquisition of Gang-Nail Systems by Mitek Industries, a 49 per cent subsidiary of Bowater Industries, the packaging and building materials group.

Announcing the reference yesterday, Mr Francis Maude, Under Secretary of State for Corporate and Consumer Affairs, said the proposed merger raised issues of competition in the UK market for punched metal connector plates and related machinery used in the manufacture of pre-fabricated roof trusses.

Gang-Nail was sold to Mitek last September for $36m (worth £22m at the time) by Redland, the building materials group. Bowater Industries bought its stake in Mitek at the same time. The sale by Redland was subject to regulatory approval. Mitek and Gang-Nail are both based in the US.

Yesterday's reference was made on the advice of the Office of Fair Trading. The Monopolies Commission was instructed to report within three months.

Ensign Trust raises stake in Cranbrook

By Philip Coggan

Ensign Trust, the investment trust controlled by the Merchant Navy Officer's Pension fund, is increasing its stake in USM-quoted Cranbrook Electronic Holdings from 10.4 per cent to 27.4 per cent.

The move is part of a complex deal following Cranbrook's unsuccessful bid for rival electronic distributor Gothic Crellon. A rival offer was made by ML Holdings which has now received 53 per cent acceptances.

But Cranbrook is acquiring Ensign's shares in Gothic in return for shares in itself. Cranbrook then intends to accept ML's cash offer. The result will be an effective rights issue, increasing Cranbrook's net assets from £1.19m to £2.2m.

Beaverbrook auction for 5% of TV-am

BY RAYMOND SNODDY

MERCHANT BANK Henry Ansbacher is conducting an auction of 5 per cent of the shares of TV-am, the commercial breakfast television station, on behalf of Beaverbrook Investments.

The Independent Broadcasting Authority wants Beaverbrook to reduce its stake in TV-am to less than 10 per cent following the disclosure that since last summer Beaverbrook's 14.9 per cent stake has been controlled by Saudi interests.

Cash offers for the 5 per cent stake, which at the company's present share price of 131p would be worth in excess of £4.25m, are being sought by next Monday.

The plan is to sign a conditional contract for the sale of the stake by April 13. The IBA has made it clear that TV-am's licence could be in jeopardy unless the matter of the Saudi stake is settled to the Authority's satisfaction.

At one stage it was thought that the entire Beaverbrook stake in TV-am would be sold and Ansbacher itself and Prudential Bache, acting on behalf of Quantum were mentioned as the most likely candidates.

In February Mr Timothy Aitken resigned as chairman of TV-am and his cousin Mr Jonathan Aitken resigned as a director of the company because of the affair.

Directors buy stricken Rotaprint from receiver

BY ANDREW HILL

TWO DIRECTORS of Rotaprint, the manufacturer of printing equipment which went into receivership in February, have bought the business from the receivers.

Mr Mike Manzi and Mr David Corrigan, managing director and marketing director respectively, are being backed by Alan Patricof Associates, an independent venture capital company. Mr Philip Newborough and Mr Jeffrey Wilkinson of APA will also join Rotaprint, the latter as chairman.

The receivers – Mr Michael Jordan and Mr Chris Hughes of accountants Cork Gully – would not disclose the price paid by APA for the company. However, Mr Hughes said it would be possible to repay the bank, which is owed about £2.5m, and preferential creditors, owed up to £1.5m.

It is understood the new owners may not keep Rotaprint's full stock market listing.

Mr Hughes said sales details had been circulated to 150 or 160 individuals or organisations interested in buying the ailing company, one of the UK's last manufacturers of small offset printing machines. The APA offer was the highest of four or five shortlisted by the receivers.

Yesterday's statement said the business had been sold "together with design, manufacturing, sales, servicing and distribution rights". The new company will continue to design and sell printing machines and preserve its supplies and service network.

The new owners will honour all Rotaprint warranties and service contracts and have offered jobs to "all key members of staff."

Americans lift Crescent holding

The American concert party which is pushing for a unitisation scheme at Crescent Japan, the £113m investment trust managed by Edinburgh Fund Managers, yesterday announced it had nudged up its shareholding in the trust to 20.91 per cent. Its previous stake stood at 20.09 per cent.

The concert party – which describes itself as "a group of friends acting together" – comprises seven individuals and centres around the New York investment and brokerage business, Sterling, Grace. Crescent, which opposes unitisation, has called an EGM for April 22 at the Americans' request. At the meketing shareholders will be asked to consider the unitisation proposal.

MMEC coming to USM with £25m tag

By Fiona Thompson

Merchant Manufactory Estate Company, property investment and development group, is joining the USM.

Chase Investment Bank is offering 11m shares, 40 per cent of the enlarged equity, at 93p each, to raise a total of £10m. The company will have a market capitalisation of about £25.67m.

Pre-tax profits have grown from £91,000 in 1985 to £2.1m in 1987. The bulk of last year's profits came from the investment side with developments contributing just 25 per cent. "But the emphasis over the next two to three years will shift," said Mr Paul de Savary, managing director.

The company holds six properties to generate rental income, in Sheffield, Liverpool, Preston, Leeds, Croydon and Dublin. Rents which had stagnated for years in these areas are picking up, he said. Development projects so far have been residential but the company plan commercial ventures post flotation.

The historic p/e at the offer price is 10 and the net asset value per share is 53p.

● comment

MMEC has carved out a specialist niche for itself with its high design restoration and conversion of traditional properties. The market is a fast growing one and the supply of dark satanic mills is not exactly drying up. De Savary, prior to joining MMEC, developed the Unity Wharf warehouse near Tower Bridge, but the thinking now is that the strong, and safe, growth lies in the provinces. The aim is a 20 per cent return. The company has a sound track record on the investment side and its profits record is good. The strong residential market in London is spreading outwards and the demand for commercial properties outside London has picked up. However in the current state of the stock market, a modest premium is all the shares can probably hope for.

COMPANY NEWS IN BRIEF

ABBOTT MEAD Vickers has issued 147,216 ordinary shares as deferred consideration to vendors of McBain Noel-Johnson.

AFRICAN LAKES Corporation (general trading, mining and agriculture): pre-tax profit of £629,451 for year ended September 30 1987 (£381,762 loss previous 14 months) on turnover of £23.5m (£28.6m). Earnings 7.61p (loss 9p) after extraordinary credit £362,379 (£186,669). Dividend 1.5p (0.5p).

ASSOCIATED-HENRIQUES (trade finance house): Turnover £1.25m (£988,107) and pre-tax profits £516,092 (£166,839) for 1987. Extraordinary debit £634,546 (nil). Earnings 2.4p (0.9p). Directors intend proposing dividends totalling 2.5p for 1988. Company came to the Stock Exchange in January via a placing.

CANNON STREET Investments has agreed to acquire Commtel Consumer Electronics for a maximum of £7m. Initial cash consideration expected to be £2.8m (of which £1.5m paid) and there will be additional profit-related payments. Commtel imports telephones and answering machines which are approved for use on BT network.

CITYVISION has acquired Target Video for £1.5m in cash and shares. Target operates 18 video film hire stores in Scotland. Profits before tax for year to end-March estimated to be not less than £300,000.

FOLKES GROUP has acquired Hydraroll, maker of cargo handling systems, for £1.2m cash. Its pre-tax profit for 1987 was £81,000.

GLOBE & PHOENIX Gold Mining (subsidiary of African Lakes Corporation): reduced loss of £64,744 year ended September 30 1987 (£657,975 previous 14 months) on turnover of £917,457 (£1.55m). Extraordinary credit £409,743 (£211,066). Loss per stock unit 7.52p (75.54p). Dividend held at 1.25p.

GOVETT INTERNATIONAL Managed Fund is paying a dividend of 0.5p for year ended February 29 1988. Profit £82,640 subject to tax £1,300. Income £51,909 and deposit interest £13,270.

HAY & ROBERTSON (canvas and textile manufacturer): Turnover £201,600 (£103,700) and pre-tax loss £1,436 (profit 245) for half year ended November 30 1987. The company is seeking ways to increase profitability and broaden activities.

KLEINWORT BENSON Gilt Fund paying final dividend 31.22p for total 122.72p (122.8p) for year ended April 4 1988. Net revenue £3.75m (£2.69m).

LEX SERVICE has acquired Fleetdrive contract hire business for £4.2m cash from UBM Motors, part of Norcros. This adds 4,300 contracts to Lex Vehicle Leasing, which is jointly-owned with Lombard North Central.

LOWE HOWARD–SPINK & Bell has acquired Horseman Cooke Design Agency, design consultancy. Consideration is £2m subject to future profitability, of which £750,000 was paid in cash on completion.

PALMERSTON INVESTMENT Trust, jointly with Electra Property Finance, has paid £10.76m for a property portfolio from National Provident Institution. The 11-property portfolio is a mixture of warehouses, shops and offices in London, the south, and Wales, and carries an annual total income of £900,000.

ROYAL BANK of Scotland Group is buying the remaining 40 per cent of Style Card from A. Goldberg & Sons. Since the group bought 60 per cent of Style, the card has been developed as part of its financial services subsidiary, RoyScot Finance Group.

SANDELL PERKINS is to acquire Drayton Trading Company, Cambridge-based builders' merchant.

SUPERWOOD Holdings' pre-tax profits of I£160,000 (£139,000) for the six months ended November 30 1987 were in line with projections made at the time of its placing on the Third Market. The comparative figure of I£247,000 is for the year to May 31 1987. Despite storage problems caused by a fire in a raw materials area, the group should be on target to achieve its projected results for the year.

THOMAS ROBINSON has acquired Calder Woodworking Machinery for £1.75m in £1.58m cash and the issue of 36,774 shares. Calder sells new and reconditioned machinery; vendors have warranted pre-tax profit of £350,000 for year ending May 1988.

TILBURY GROUP: The purchase of 150,000 Tilbury shares on behalf of discretionary clients of John Govett has raised the investment manager's interest in the contractor to 15.62 per cent. More than half of the total is held by the listed Govett Strategic Investment Trust.

UTC GROUP has bought one-third interest in White Morgan Group, London insurance brokers, for £325,000 cash. Its pre-tax profits for 1988 are warranted at £150,000. UTC Insurance Services has been formed to spearhead future expansion.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
African Lakes	fin	1.5	June 10	0.5	1.5	0.5‡
Bunzl	fin	2.9	July 1	2.45	5	4.2
Globe & Phoenix	fin	1.25	June 9	1.25	1.25	1.25‡
Govett Intl.	fin	0.5	-	-	0.5	-
Helene London	fin	1.13†	July 1	1.13	1.63	1.63
Home Counties	fin	5	-	3.38*	7.5	5*
Kleinwort Gilt	fin	31.22	-	29.42	122.7	122.8
Pegasus Group §	int	2.25	July 21	0.75	-	2.6
Silentnight	fin	3.5	-	3	5.25	3
Tech. Project	fin	2.65	-	1.34	4	2
UDO	int	0.72†	June 6	0.6	-	1.8
Wilson Connolly	fin	3	-	2	4	2.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ‡Third market. £For 14 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims – Alva Investment Trust, A. Beckman, TR City of London Trust.

Finals – Abbey Life, Alexandra Workwear, Anglo Eastern Plantations, Aquascutum, Blackwood Hodge, Bonded Laminates, Bremner, Clayform Properties, Electronic Data Processing, Erith, Finlay Packaging, Gestetner, Henson Lonsdale, London Fortaulag, Mi Cash & Carry, Memory Computer, Newman Industries, Reckitt & Colman, Ruberoid, Sun Alliance & London Insurance, Tallis, Western Motors, Wilson (Connolly).

FUTURE DATES

Interims –

AMI Healthcare	Apr 14
City of London Trust	Apr 11
Belway	Apr 20
Brit Empire Secs Gen Tst	Apr 25
Five Oaks Investments	Apr 25

COMMODITIES AND AGRICULTURE

Australian coal deals restart row

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S COAL industry has again become the focus of raging domestic controversy because of export deals concluded with Japan, last week.

The row centres on contracts to supply hard coking-coal to Japanese steel-mills, and, in particular, on the disappointing price achieved.

The deals which set the trend prompted Mr John Kerin, Minister for Primary Industries and Energy, to step in last Thursday and announce he was deferring approval.

The deals provoked complaints from other coal-exporting companies, forced to follow suit; worries about prospective deals with other buying countries; and, concern over separate negotiations to sell steaming-coal to Japanese power-suppliers.

Further, they seem likely to affect talks with Australian coal unions to improve of underground-mine efficiency in New South Wales. The mines remain uncompetitive in relation to opencast counterparts in Queensland.

The whole affair is important because:

- Coal is Australia's most important export after wool, earning about A$5bn a year.
- Australia sells to Japan 55 per cent of its coking-coal exports and 35 per cent of its steaming-coal exports.

Yesterday Mr Bob Hawke, Prime Minister, joined in the criticism. He targeted his complaints directly at Japan. He said Japan's steel industry had not dealt fairly with Australia's coal industry.

The latest row was triggered by four coalmining companies, on the south coast of New South Wales, deciding to accept a price just US$2.90 above last year's ruling price of US$44.

Because of currency movements Japanese steel- mills are perceived to have secured a remarkable deal while the Australian companies will receive even less than last year's low prices.

The movements were the yen's strong rise, US dollar's weakening and Australian dollar's strengthening.

However, complaints are not aimed at currency movements' impact or at narrowing the margin between prices and costs, especially labour costs.

Rather, they focus on whether a better price could have been achieved in current market conditions.

The four companies include Kembla Coal & Coke, owned by CRA, the mining giant, and BP Coal. They say:

- A recent Canadian deal with Japan for a comparable product allowed for a US$2.90 rise and could not be ignored.
- They received, like the Canadians, extra benefits which made the average price higher than the US$2.90 suggests – tonnage increases from Japan, relaxation in moisture-content specifications and, in one case, upward reclassification of lower-grade coal.

The companies' competitors challenge much of this. Yesterday MIM Holdings said the terms agreed were less favourable than could have been achieved two weeks ago. It professed surprise the four companies could settle at the price they did.

MIM has since settled at a similar price. It, too, has won significant tonnage rises of 15 per cent to 20 per cent. The only producer still to settle is BHP-Utah, the biggest Australian exporter of coking-coal to Japan, with about 12m tonnes.

Yesterday BHP-Utah said it recently won prices in European markets which were better than the Japanese prices, and that it had hoped to repeat this in Japan. It would not give details but was plainly disappointed.

Some market analysts say Australian producers ought to have secured price rises of up to US$5 a tonne. They say Japanese steel output has risen so much during the past year that demand for coking-coal has increased and the market right now is tight.

The four companies reply that they did not even seek this sort of rise initially; the final deal, once the extras are included, amounts to a rise of up to US$3.90; and they might not have secured any tonnage increase at a higher price.

Whatever the truth, the issue has quickly reverberated in related areas. The worries over future contracts with countries like South Korea, Taiwan or India are clearly well-founded. Further, few doubt there will be an impact on the current steaming-coal talks.

The main domestic question concerns the manner in which Australia markets its coal. In 1986 the Government altered its export controls so that approval was given after deals were negotiated. Although approval has been withheld in some cases since then, it has never been done as publicly as it was last week.

Mr Kerin must now decide whether to refuse approval altogether and send the coal companies back to Tokyo, or simply accept the harsh reality that most of the companies have now settled and approve the terms.

The first decision would be an embarrassing move which would hardly contribute to good relations with Japan; the second would unnecessarily expose Australia's weaknesses as a coal-supplier.

Predictably, his awkward position has revived the question of whether the Government should reimpose controls, as some politicians are suggesting, and perhaps even establish some form of coal-marketing authority, as the unions have demanded.

Whether this would strengthen the Australian position rather than complicate it is an open question. The much-cited precedent is the Australian Wheat Marketing Board but the inefficiencies this has created have brought pressure to end the board's monopoly export-marketing powers.

The Australian coal companies, though they negotiate individually, are in any case aware of each others' position when talks are proceeding, as indeed is the Government. All know the country's strengths and weaknesses as a coal-supplier.

On the other side they will always be up against the united might of Japanese steel-mills, which negotiate as a single entity.

The mills deal with several producing countries as well as many Australian companies, all of which are vulnerable to being played off against each other.

That said, the Japanese are also aware of the consequences of extracting impossible terms from reliable, long-term suppliers.

If nothing else, therefore, this year's talks are a sombre reminder of what Australia must still do to remain that.

Opposition attacks plan to raise UK farm prices

By Max Wilkinson, Resources Editor

DR DAVID CLARK, Labour Party agriculture spokesman, yesterday condemned the Government's efforts to obtain green-pound devaluation which he said would raise food prices for housewives.

He said the Government was campaigning for farm-price rises in Britain just eight weeks after claiming victory in persuading its European Community partners to agree to a price-cuts programme, at the end of the recent farm-price talks.

Whitehall officials yesterday confirmed Britain would askfor a 7.5 per cent devaluation for pig meat, the special exchange rate which governs EC farm-price guarantees. Measured cuts are to be sought in the green pound for other farm produce.

Mr John McGregor, Agriculture Minister, sees these devaluations as a step toward the longer-term goal of eliminating special agricultural exchange rates in the EC.

However, Dr Clark said the effect would be to raise prices paid to farmers and of food, and it represented the true cost of the Prime Minister's recent "cave-in" in Brussels.

He said: "It is ludicrous to agree to limit over-production by penalties and then to put up the basic price support."

Chicago soyabean futures rally on report of US plantings plans

BY DEBORAH HARGREAVES IN CHICAGO

CHICAGO'S SOYABEAN futures market this week rallied after a US Department of Agriculture report showed farmers intend to plant fewer beans than the market had expected for this year.

USDA indicates, in its report on farmers' prospective plantings issued last Thursday, that soyabean acreage will increase to nearly 58m bushels, a 1 per cent rise on 57.4m bushels last year.

This was lower than many analysts predicted. Accompanied by news of a much greater cut in soyabean stocks than expected, it fuelled a wave of buying in Chicago's futures markets.

Soyabean futures rose by up to 20 cents a bushel on Monday. These gains were eroded a little by short-term profit-taking but analysts see support for a longer-term rally.

Ms Cathy Leow, vice-president, Thomson McKinnon Securities, said: "The market does not feel comfortable about this low acreage figure."

However, she says the survey was made before a soyabean-prices rally last month encouraged more farmers to plant beans.

She said: "The market has been rallying to boost farmer-plantings but it hasn't done its job yet. Prices will have to move higher to attract more acreage."

She said the November soyabean futures contract would have to remain firmly above $7 a bushel, from its current level about $6.80 to $6.90, to encourage more soyabean-planting.

She said that if prices stayed firm enough some farmers would to quit the government-support programme for maize, and plant beans instead.

More acreage could be added by double-cropping and restoring idled land to use. The move could push final plantings to between 63m bushels and 64m bushels if prices stayed strong.

Ms Leow said planting plans left little margin for error if weather were bad. Rising export demand could lead to a "very low supply situation."

Wheat futures prices traded firmer in Chicago yesterday in response to news that an extra 1m tonnes of wheat had been allocated to the Soviet Union.

Farmers' prospective plantings for wheat were 1 per cent down on last year's level at 65.1m bushels, from 65.8m bushels, in accord with market expectations.

USDA expects this year's maize plantings to be 66.9m bushels, a rise on 65.7m last year. This led to a slight weakening in maize futures prices, although the figures were in accord with market expectations.

Ms Leow said: "We're not necessarily in a bear market for corn [maize] but we have more than enough corn stocks."

AN EXTRA 1m tonnes of US wheat has been marked for sale to the Soviet Union under the Export Enhancement Program, the US Department of Agriculture said on Monday, Reuter reports from Washington.

Under the programme sales are made at competitive world prices but unit-costs to buyers are cut by provision of extra supplies from US Commodity Credit Corporation stocks.

The Soviet Union has bought more than 11.8m tonnes of US wheat under previously-announced EEP allocations.

USDA said the extra allocation, added to 10,200 tonnes remaining under past allocations, brought the amount available to the Soviet Union under the programme to 1,010,200 tonnes.

Details of the latest allocation will be issued soon, USDA said. They include an invitation for exporters' offers.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium standard	+8,375	to	23,575
Aluminium high grade	−3,575	to	17,600
Copper Grade A	+460	to	55,975
Lead	+1,325	to	21,925
Nickel	+222	to	2,010
Zinc	+50	to	35,275
Tin	−80	to	18,856
Silver (oz).	+80,000	to	18,706,000

Tobacco trade in Zimbabwe lights up

THIS YEAR's Zimbabwean flue-cured tobacco-auction sales open today. Growers and buyers are forecasting a 50 per cent rise in average prices on last year's depressed levels.

Last year's Virginia flue-cured crop was a disaster for most of the industry's 1,400 growers, because of the severe 1986-87 drought.

They produced the biggest post-1964 crop, 128m kg, one of exceptionally poor quality with a high nicotine content unpopular in the market.

The auction-floor price fell 30 per cent from a record 313.5 Zimbabwe cents a kilo (188 US cents) to 218.5 cents (131 US cents).

Indeed, last year's average price was the lowest for three years, in which period output costs rose by about more than 40 per cent.

In US-dollar terms Zimbabwean growers were obtaining 131 US cents a kilo, half the ruling average price in 1981 and the lowest foreign currency realisation for six years.

Tobacco has a key role in Zimbabwe's economy:

- It is the main export, marginally ahead of gold, and contributes just more than 20 per cent of total export revenues.
- It is a substantial employer of labour, accounting for 10 per cent of formal sector employment, in an economy where unemployment has doubled in the past eight years.
- It is a big buyer of locally-produced inputs, from coal to chemicals, fertiliser and insurance.
- Auction-floors themselves, and packing and processing, contribute to the economy.

The entire tobacco sector accounted for about 12 per cent of gross domestic product in 1985, says one estimate. Small wonder last year's disaster set industry-wide alarm-bells ringing.

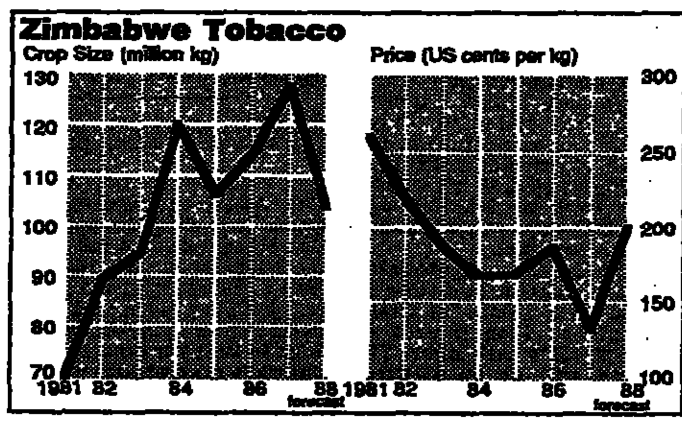
The Zimbabwe Tobacco Association, representing growers, reacting to members' criticism of depressed prices, promptly appointed a committee to investigate the marketing system. The outcome is awaited.

The industry says there will be a price rebound this year. Forecasts of this year's average price range from 320 cents (186 US cents) to 360 cents (203 US cents).

However, thoughtful growers and ZTA leaders say this year's expected price surge will mainly reflect a catching-up process after last year's decline.

Indeed, even if the price does average near the top of the range at 350 cents (203 US cents) a kilo it would represent only a 12 per

Zimbabwe Tobacco



cent rise in the price paid to growers two years ago and little more than half the rise in output costs since 1985.

Cost-inflation has slowed over the past year, partly reflecting the price-and-wage freeze of last June. However, cost pressures will intensify over the next year because farm labourers' wages rose by 17 per cent last month and the price-freeze is due to be progressively relaxed.

The good news is that the price outlook today is far better than last year, for three main reasons:

- This year's crop, estimated at no more than 105m kg, is 18 per cent smaller than that last year.
- It is, after good rains, of excellent quality, though some buyers say the suddenness of the switch from an excessively high nicotine-content crop to very low-nicotine leaf could adversely affect prices, marginally.
- There has been a worldwide firming in flue-cured tobacco prices. Last year's US leaf price rose 6 per cent, to 159 US cents a pound (350 US cents a kilo).

Worldwide firmer prices reflect consumption growth in Third World countries and the cut in manufacturers' inventories.

However, because Zimbabwe's crop last year was both big and of poor quality the industry in Zimbabwe did not participate in last year's price recovery.

Growers remain anxious, in spite of this year's expected price resurgence on Harare's floors, about medium-term prospects.

The main reason is that Zimbabwe has become a relatively high-cost producer. The average cost of production has risen by about 260 per cent since 1981.

Efficient growers earn attractive profits and tobacco was more remunerative than maize, oilseeds or cotton so long as:

- Growers could improve productivity, that is yield per hectare, and maintain quality.
- Perhaps more importantly, the Zimbabwean dollar was depreciating against the US currency.

However, currency depreciation was a crucial contributor to grower-profitability because the industry imports no more than 15 per cent of requirements while 98 per cent of the crop is exported.

Accordingly, the 58 per cent devaluation of Zimbabwe's currency against the US dollar between 1981-86 boosted local realisations at a time of stagnant or falling world prices.

Indeed, between 1981-86 the Zimbabwean-dollar price on Harare's auction-floors rose 70 per cent while its US-dollar equivalent fell 28 per cent.

However, with the post-1985 decline in the US dollar Zimbabwe's currency has held relatively steady in terms of the US unit.

Consequently since 1985 growers have no longer benefited from the devaluation shield, thereby intensifying the cost-push squeeze on their margins.

In the past two years, especially last year when about two-thirds of growers made losses, some producers had to borrow heavily from banks. They need higher margins this year and over the next few seasons to rebuild equity base.

Across the industry the need to improve efficiency, cut waste in fields and in grading-sheds and to trim costs is accepted. None the less, this is a formidable challenge in a country where inflation has averaged 14 per cent since 1980.

However, the reality is that if Zimbabwe is to stay a leading player in the world tobacco market it must improve its international competitiveness through improved productivity or a depreciating currency, or by, more likely, a combination of the two.

Brazil considers exporting '3m tonnes of rice soon'

BY JOHN BARHAM IN SAO PAULO

BRAZILIAN OFFICIALS yesterday said they may soon export 3m tonnes of rice. A preliminary decision on the sale is expected this week. A member of SEAP, the federal prices-and-supply secretariat, said a rice-export shipment was authorised.

Brazil annually produces nearly 11m tonnes of rice and consumes about 10m tonnes. Government warehouses have accumulated rising stocks because output has exceeded consumption for three years.

Rising agricultural stocks are straining government funds and occupying excessive storage capacity.

Talks have begun with trading companies for export of the 170,000-tonne consignment. However, details such as prices and markets have not been settled.

An official at Interbras, Brazil's largest trading company, said SEAP appeared in a hurry to ship the rice. However, the secretariat must overcome operational problems before closing any sales contract.

Interbras rejected an invitation to bid for the export contract, because of late delivery of samples and documents.

Only one trading company, owned by a regional government, has prepared a bid for the rice. Current domestic-rice prices per tonne vary between $256 and $342.

Argentine meat sales fall

ARGENTINE MEAT exports totalled 38,533 tonnes in the first two months of this year, down from 39,714 tonnes shipped in January-February last year, National Meat Board statistics show, reports Reuter from Buenos Aires.

Beef shipments in the period this year amounted to 25,051 tonnes (26,945 in 1987); horsemeat shipments to 4,514 tonnes (3,257); and beef-offal shipments to 6,507 tonnes (7,660).

For refrigerated beef the main export destination was the European Community, which took 9,700 tonnes, up from 5,500 tonnes a year earlier.

Other destinations included: Israel, 3,000 tonnes (3,700); Hong Kong, 1,000 tonnes (300); Canary Islands, 800 tonnes (500); Saudi Arabia, 800 tonnes (0); Switzerland, 700 tonnes (500); Aruba-Curacao, 500 tonnes (200); Singapore, 400 tonnes (500); and Peru, 100 tonnes (2,500).

WORLD COMMODITIES PRICES

LONDON MARKETS

THE CASH nickel price on the London Metal Exchange climbed back above the $20,000 a tonne mark yesterday morning as traders returned from the Easter break to find the underlying bullish mood still intact. Early gains were quickly trimmed back following the announcement that LME stocks had risen modestly last week, but the cash price still closed $300 up from the pre-holiday level at $20,250 a tonne. Dealers said fresh highs were being predicted for the second quarter of the year. Aluminium prices continued to respond to the tightening supply situation and the cash LME price for 99.7 per cent metal closed $30 up at $2,980 a tonne. Options commitments were thought to be exacerbating the supply tightness. Zinc resumed the slide which had been interrupted in pre-holiday trading, with cash metal closing £26.75 down at £540.50 a tonne. And cocoa set fresh 5¾-year lows before steadying towards the end of the day.

US MARKETS

EARLY TRADE and local selling eased precious metals prices, touching off commission house stops, reports Drexel Burnham Lambert. The markets then bounced as the trade emerged as a buyer at the lows and then traded narrowly before a late rally on short-covering took prices higher. Copper was lacklustre, easing as commission house selling touched-off light stops. Crude oil futures were lower in light trading with fund and local selling, trade selling of June and the May/June switch. Light profittaking and trade buying was noted at the lows. Coffee eased under the influence of origin selling which prompted speculative liquidation and short-selling. Cocoa fell in response to the firmer dollar, while sugar was held to a narrow range. Commission house long-liquidation and technical selling depressed cattle futures, with light local and trade support noted. Pork bellies were well down on expectations of large storage movements and a consequent increase in supply. Hogs were higher on commission house and local buying.

New York

Chicago

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firmer but nervous

THE EXPECTED rush by Japanese institutions to sell dollars at the start of their financial new year, has so far failed to materialise in currency markets. Consequently the dollar improved yesterday, as traders holding short positions became more and more nervous, and eventually moved to cover themselves.

"The Japanese are much too shrewd to offload dollars when everyone expects them to", one dealer volunteered. He added that there was unlikely to be much movement out of dollars until after the release of US trade figures on April 14.

The dollar's improvement was therefore seen as the product of short term speculative activity, rather than a change in sentiment, and its strength was viewed by some as being temporary. US unemployment figures released last Friday gave rise to fears that inflation in the US could start to rise, and the attraction of higher US interest rates was more likely to be outweighed by the depressing effect on trade and the domestic economy.

The dollar closed at DM1.6690 up from DM1.6560 and Y125.10 compared with Y124.10. Elsewhere it rose to SFr1.3760 from SFr1.3635 and FFr5.6600 from FFr5.6125. On Bank of England figures, the dollar's exchange rate index rose from 92.2 to 92.7.

Sterling improved against the D-Mark, despite losing ground against the dollar. It broke through DM3.1300 in relatively subdued trading. Dealers reported no intervention by the Bank of England but short term investors were a little wary of being caught wrong footed.

Consequently the improvement tended to be a gradual process, rather than a headlong rush to test the DM3.15 level.

The pound closed at 3.1375, its highest level since July 1986, and up from DM3.1250 last Thursday. It was also stronger against the yen at Y235.25 from Y234.25. Elsewhere it finished at SFr2.5875 from SFr2.5750 and FFr10.6400 against FFr10.5975. Against the dollar it slipped to $1.8800 from $1.8880. On Bank of England figures, the pound's exchange rate index rose to 78.3 from 78.2 at the opening and 78.1 on Thursday.

D-MARK—Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. February average 1.6966. Exchange rate index 149.1 against 146.1 six months ago.

Uncertainty about the dollar, and high Euro-sterling interest rates, left the pound attracting most demand in Frankfurt. The D-Mark's relatively low rate of return encouraged speculative money to seek a new home.

Even the dollar was seen as a better short term bet, after recent speculation that inflation fears could drive interest rates firmer.

The US unit finished at DM1.6660, having dipped below DM1.6500 in New York on Monday. There was no sign of any central bank intervention.

JAPANESE YEN—Trading range against the dollar in 1987/88 is 159.45 to 121.35. February average 129.17. Exchange rate index 244.5 against 217.9 six months ago.

The dollar improved from its New York close as traders covered short positions, in Tokyo. Investors were unsure about the dollar's short term trend and were waiting for major financial centres to re-open after the Easter break.

The dollar closed at Y124.45, up from Y123.85 in New York on Monday. There were no signs of intervention by the Bank of Japan but traders remained wary of being caught with short dollar positions.

Longer term sentiment for the dollar was bearish however, after US unemployment figures gave rise to fears of higher inflation.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4542	+2.35	+1.01	±1.5344
Danish Krone	7.85212	7.95038	+1.25	-0.09	±1.6404
German D-Mark	2.05853	2.07590	+0.84	-0.50	±1.0981
French Franc	6.90403	7.04212	+2.00	+0.66	±1.3674
Dutch Guilder	2.31943	2.33028	+0.47	-0.87	±1.5012
Irish Punt	0.768411	0.776310	+1.03	-0.31	±1.6684
Italian Lira	1483.58	1540.17	+3.81	+3.03	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Apr.5	Latest	Previous Close
£ Spot	1.8805-1.8815	1.8880-1.8890
1 month	0.26-0.23pm	0.22-0.21pm
3 months	0.68-0.64pm	0.83-0.82pm
12 months	2.20-2.10pm	2.10-2.05pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.5	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Apr.5	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*All SDR rates are for Apr.4

CURRENCY MOVEMENTS

Apr.5	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

Apr.5	£	$
[illegible]	[illegible]	[illegible]
Iran	125.00*	65.75
Korea(Sth)	1398.70-1411.35	744.30-750.50
Kuwait	0.51430-0.51480	0.27275-0.27305
Luxembourg	65.55-65.65	34.85-34.95
Malaysia	4.8435-4.8555	2.5730-2.5740
Mexico	4272.15-4315.15	2270.00-2280.00
N. Zealand	2.8790-2.8865	1.5275-1.5300
Saudi Ar.	7.0665-7.0725	3.7500-3.7510
Singapore	3.7725-3.7785	2.0010-2.0030
S. Af (Cm)	3.9960-4.0125	2.1235-2.1265
S. Af (Fn)	5.3890-5.5475	2.8570-2.9410
Taiwan	53.90-54.15	28.60-28.70
U.A.E.	6.9205-6.9265	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Apr.5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8765-1.8885	1.8795-1.8805	0.26-0.23cpm	1.56	0.71-0.66pm	1.46
Canada	2.3265-2.3440	2.3280-2.3290	0.01d-0.10cpm	0.25	0.09-0.22dis	-0.27
Netherlands	3.50½-3.52¼	3.51¼-3.52¼	1⅛-1cpm	4.47	4¼-3⅞pm	4.40
Belgium	65.25-65.80	65.55-65.65	22-4cpm	2.38	48-29pm	2.15
Denmark	11.96½-12.02¼	12.01¼-12.02¼	¾pm-¾oredis	-0.06	½-2½dis	-0.42
Ireland	1.1680-1.1745	1.1730-1.1740	0.11-0.15pdis	-1.33	0.28-0.35dis	-1.07
W. Germany	3.12½-3.14	3.13½-3.14	1½-1¼pfpm	5.26	4½-3¾pm	4.94
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 65.75-65.85. Six-month forward dollar 2.26-2.21cpm 12 month 2.30-2.20pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs.

EURO-CURRENCY INTEREST RATES

Apr.5	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: [illegible]

EXCHANGE CROSS RATES

Apr.5	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.319	0.599	1.	74.98	3.391	0.825	1.123	740.9	0.742	20.91
YEN	4.250	7.990	13.34	1000.	45.22	11.00	14.97	9881	9.898	278.8
F Fr.	0.940	1.767	2.949	221.1	10.	2.432	3.311	2185	2.189	61.65
S Fr.	0.386	0.726	1.213	90.92	4.111	1.	1.361	898.4	0.900	25.35
H Fl.	0.284	0.534	0.891	66.79	3.020	0.735	1.	659.9	0.661	18.62
Lira	0.430	0.809	1.350	101.2	4.576	1.113	1.515	1000.	1.002	28.22
C $	0.429	0.807	1.347	101.0	4.568	1.111	1.513	998.3	1.	28.17
B Fr.	1.524	2.866	4.784	358.7	16.22	3.945	5.370	3544	3.550	100.

Yen per 1,000: French Fr. per 10; Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Little change

THERE WAS little change in interest rates on the London money market yesterday. Trading was quiet and there was no move to push rates down, in spite of the further advance by sterling against the D-Mark.

Three-month interbank was unchanged at 8¹³⁄₁₆-8¹¹⁄₁₆ p.c. as dealers waited for further evidence of the attitude of the authorities on the preformance of the pound and the level of interest rates.

Today's figures on UK official reserves in March may provide some guidance to the official attitude towards sterling, but are unlikely to set a new trend in the market.

UK clearing bank base lending rate
8½ per cent from March 17

City economists expect a rise in the reserves, because of Bank of England intervention to sell the pound early last month, but forecasts very widely, from a gain of $500m to $3.5bn.

Attention remained focused on sterling's rise against the D-Mark yesterday, amid uncertainty how high the pound will rise and whether continued strength will trigger another cut in UK bank base rates.

Dealers noted comment in the press over the weekend about a continuing rift between the Prime Minister and Chancellor on exchange rate policy, but waited for further developments.

The Bank of England initially forecast a money market shortage of £450m, but revised this to £400m at noon, and to £300m in the afternoon.

Total help of £372m was provided. Before lunch the Bank of England bought £255m bills outright, by way of £32m bank bills in band 1 at 8⅝ p.c. and £223m bank bills in band 2 at 8⅝ p.c.

In the afternoon the central bank purchased £62m bills, through £60m Treasury bills in band 1 at 8⅝ p.c. and £2m bank bills in band 1 at 8⅝ p.c.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £1,275m, with bank balances below target absorbing £195m. These factors outweighed Exchequer transactions adding £670m to liquidity, and a fall in the note circulation of £370m.

In Frankfurt credit conditions tightened on the first trading day of the new month. Call money rose to 3.30 p.c., from 2.70 p.c. on Thursday.

The West German Bundesbank set a tender for a 28-day securities repurchase agreement, at a fixed rate of 3.25 p.c. An earlier facility of DM7.1bn expires today, and the central bank is expected to roughly replace this money draining from the market.

FT LONDON INTERBANK FIXING

11.00 a.m. Apr 5 3 months US dollars		6 months US Dollars	
bid 6⅞	offer 7⅛	bid 7⅛	offer 7¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8½
Broker loan rate	7¾-⅞
Fed.funds	6⅝-¾
Fed.funds at intervention	-

Treasury Bills and Bonds	
One month	[illegible]
Two month	[illegible]
Three month	[illegible]
Six month	[illegible]
One year	[illegible]
Two year	[illegible]
Three year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10-year	[illegible]
30-year	[illegible]

Apr.5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.25-3.35	3.25-3.40	3.30-3.45	[illegible]	[illegible]	[illegible]
Paris	7½-7⅝	7⅝-7¾	8-8⅛	[illegible]	[illegible]	[illegible]
Zurich	1-1½	1⅛-1¼	-	[illegible]	[illegible]	[illegible]
Amsterdam	4-4¼	3⅞-4	-	[illegible]	[illegible]	[illegible]
Tokyo	3.53125	3.71875	-	[illegible]	[illegible]	[illegible]
Milan	10-10¼	10¾-11¼	-	[illegible]	[illegible]	[illegible]
Brussels	5.20	6-6¼	-	[illegible]	[illegible]	[illegible]
Dublin	8¼-8½	8⅛-8⅜	8¼-8½	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Apr.5	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9	8¾	8½	[illegible]	[illegible]	[illegible]
Interbank Bid	7	8⅝	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	8½	8½	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	8½	8½	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	8½	8⅝	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	-	-	6.75-6.70	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 8¼ per cent; three months 8 per cent; [illegible] Treasury Bills: Average tender rate of discount 8.0952 per cent. [illegible] Make up day March 31, 1988. Agreed rates for period April 26, 1988 to [illegible] 10.17 p.c. Reference rate for period Mar. 1, 1988 to March 31, 1988 [illegible] Finance Houses seven days' notice, others seven days' fixed. Finance Houses [illegible] Deposit Rates for sums at seven days notice 3-3¼ per cent. Certificates of [illegible] under one month 7¾ per cent; [illegible] 5.00 per cent.

FINANCIAL FUTURES

Trading remains very quiet

STERLING DENOMINATED instruments opened weaker on the Liffe market yesterday, following the direction of US Treasury bond futures after stronger than expected US employment data for March, released last Friday.

June long term gilt futures opened at 122-31, and traded within a narrow range of 122-27 to 123-07, before closing at 123-01, compared with 123-07 last Thursday.

Turnover was low, after the Easter holiday weekend. The market generally lacked direction, but eventually moved on to a firmer note as sterling rose to its highest level for over 1½ years against the D-Mark.

There were no new factors, apart from the lingering impact of the US unemployment figures, and the larger than expected rise in non-farm payrolls.

US Treasury bond futures opened sharply lower on Liffe, in reaction to moves in Chicago on Monday. June bonds started trading at 89-10. This was the low of the day, and although the contract showed a slight recovery, touching a peak of 89-16, it closed little changed from the opening at 89-11, compared with 90-01 on Thursday.

A recovery by the dollar from the lows touched against the D-Mark and yen, in New York on Monday, provided a slight improvement in sentiment surrounding the bond contract.

Three-month sterling deposit futures showed little movement, as cash rates held steady on the London money market, and there appeared to be fading prospects of an early change in UK bank base rates.

June short sterling deposits opened at 91.38, and closed at 91.37, against 91.39 on Thursday, after trading within a range of 91.36 to 91.42.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls Jun	Calls MAY	Puts Jun	Puts MAY
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE £/$ OPTIONS

Strike Price	Calls Apr	Calls MAY	Puts Apr	Puts MAY
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE-MONTH STERLING; FT-SE 100 INDEX; THREE-MONTH EURODOLLAR; US TREASURY BONDS 8%; CURRENCY FUTURES (LIFFE-STERLING; POUND-$ (FOREIGN EXCHANGE); IMM-STERLING)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

US TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$440	60	22.50 A	-	-	-	-	$453.50
GOLD C	$460	2	10 A	67	22	-	-	$453.50
GOLD C	$480	17	4 A	7	13 A	17	21.50	$453.50
GOLD C	$520	-	-	54	4.50	-	-	$453.50
GOLD P	$400	-	-	35	2	-	-	$453.50
GOLD P	$420	65	1.70 B	65	4.50	-	-	$453.50
GOLD P	$440	75	3.80	-	-	-	-	$453.50
GOLD P	$460	6	11.50	20	15	-	-	$453.50
GOLD P	$480	-	-	200	27.50	-	-	$453.50
		Apr. 88		May 88		Jun. 88		
EOE Index C	Fl. 195	20	10	16	11	1	12 B	Fl. 205.23
EOE Index C	Fl. 200	70	6.40	42	9.50	1	10.50	Fl. 205.23
EOE Index C	Fl. 205	110	3.70	73	6.50	-	-	Fl. 205.23
EOE Index P	Fl. 185	52	0.50	21	2.70	-	-	Fl. 205.23
EOE Index P	Fl. 190	61	0.90	31	4.80	-	-	Fl. 205.23
EOE Index P	Fl. 195	108	1.30	7	6.50 A	5	8.70	Fl. 205.23
EOE Index P	Fl. 200	84	3	36	8.40	6	12	Fl. 205.23
EOE Index P	Fl. 205	84	4.80	4	11	11	14	Fl. 205.23
EOE Index P	Fl. 210	52	8.50	13	15	-	-	Fl. 205.23
£/Fl C	Fl. 350	100	2.60	-	-	-	-	Fl. 352.12
$/Fl C	Fl. 185	5	2.50 B	98	3.40	15	3.70 B	Fl. 186.90
$/Fl C	Fl. 190	4	0.40	95	1	1	2	Fl. 186.90
$/Fl P	Fl. 180	-	-	2	1.20	130	1.90	Fl. 186.90
$/Fl P	Fl. 185	57	1	82	2.60	8	4	Fl. 186.90
$/Fl P	Fl. 190	18	4	-	-	6	6.70 A	Fl. 186.90
		Apr. 88		Jul. 88		Oct. 88		
ABN C	Fl. 40	197	0.90	34	2 B	33	3	Fl. 40.20
AHOLD C	Fl. 75	90	0.40	13	2	-	-	Fl. 70.50
AKZO C	Fl. 110	49	0.80	138	4	17	7	Fl. 104.70
AKZO P	Fl. 80	11	0.10	42	1.60	-	-	Fl. 104.70
AMEV C	Fl. 55	54	1.20	62	4	5	5.80	Fl. 54
AMEV P	Fl. 50	102	0.60	91	3	10	3.80	Fl. 54
AMRO C	Fl. 75	-	-	25	1	9	2.20 A	Fl. 69
AMRO P	Fl. 65	-	-	19	2.90	1	4.50	Fl. 69
BUHRMANN-T C	Fl. 45	196	1.40	28	3	9	4	Fl. 45.50
BUHRMANN-T P	Fl. 45	-	-	70	3.70	-	-	Fl. 45.50
ELSEVIER C	Fl. 55	5	0.10	20	1.80	41	3.20	Fl. 51.10
ELSEVIER P	Fl. 50	1	0.80	55	3.20 A	80	5.50	Fl. 51.10
GIST-BROC. C	Fl. 35	10	0.30 B	86	2	21	3	Fl. 33.50
GIST-BROC. P	Fl. 35	2	1.80	54	4.30	-	-	Fl. 33.50
HEINEKEN C	Fl. 130	58	1.70	2	6.50	-	-	Fl. 127.30
HEINEKEN P	Fl. 140	-	-	135	15.60	50	19	Fl. 127.30
HOOGOVENS C	Fl. 35	165	0.80	127	2.50	3	4	Fl. 33.70
HOOGOVENS P	Fl. 40	-	-	100	7.50	-	-	Fl. 33.70
KLM C	Fl. 35	396	1.20	47	3.20	13	3.50	Fl. 35.50
KLM P	Fl. 40	-	-	-	-	100	6.80	Fl. 35.50
KNP C	Fl. 140	516	5	159	7	52	9.50	Fl. 144.50
KNP P	Fl. 130	60	1	120	5.20 A	-	-	Fl. 144.50
NEDLLOYD C	Fl. 210	106	5	-	-	-	-	Fl. 211.50
NEDLLOYD P	Fl. 170	70	0.60	5	3.50	6	8	Fl. 211.50
NAT.NED. C	Fl. 55	120	3.90	66	4.80	-	-	Fl. 58.10
NAT.NED. P	Fl. 55	-	-	12	2	60	4.60	Fl. 58.10
PHILIPS C	Fl. 25	157	3.50	7	3.50 B	6	4.50	Fl. 28.30
PHILIPS P	Fl. 30	84	3.40	1	4.20 A	7	4.10	Fl. 28.30
ROYAL DUTCH C	Fl. 220	268	4.50	39	8 B	109	10	Fl. 222.30
ROYAL DUTCH P	Fl. 190	83	0.10	-	-	-	-	Fl. 222.30
ROBECO C	Fl. 80	-	-	20	10.50	-	-	Fl. 89.90
ROBECO P	Fl. 100	25	9.80	-	-	-	-	Fl. 89.90
UNILEVER C	Fl. 110	452	2	75	6.30	1	8.50 B	Fl. 109.90
UNILEVER P	Fl. 100	50	0.50	84	4.20	106	6	Fl. 109.90

TOTAL VOLUME IN CONTRACTS : 17,020

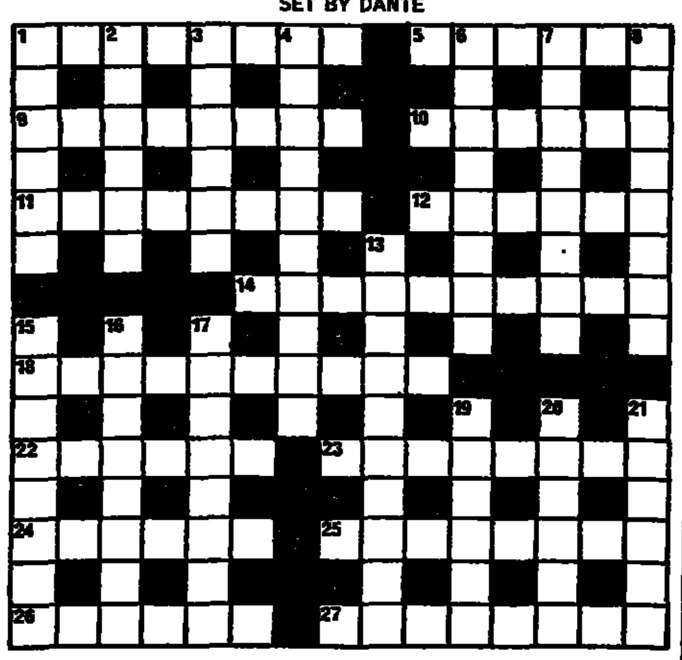
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	8½	Citibank NA	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	City Merchants Bank	8½	NatWestminster	8½
AAB - Allied Arab Bk	8½	Clydesdale Bank	8½	Northern Bank Ltd	8½
Allied Irish Bank	8½	Comm. Bk N. East	8½	Norwich Gen. Trust	8½
Henry Ansbacher	8½	Consolidated Cred	8½	PK Finans. Int(UK)	9
ANZ Banking Group	8½	Co-operative Bank	*8½	Provincial Bank PLC	9½
Associates Cap Corp	10	Cyprus Popular Bk	8½	R. Raphael & Sons	8½
Authority Bank	8½	Dunbar Bank PLC	8½	Roxburghe G'rantee	10
B & C Merchant Bank	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Banco de Bilbao	9½	Equatorial Bank plc	9	Royal Trust Bank	8½
Bank Hapoalim	8½	Exeter Trust Ltd	9	Smith & Williams Secs.	8½
Bank Leumi (UK)	8½	Financial & Gen. Sec.	8½	Standard Chartered	8½
Bank Credit & Comm	8½	First Nat. Sec. Ltd.	9½	TSB	8½
Bank of Cyprus	8½	● Robert Fleming & Co.	8½	UDT Mortgage Exp	§9¾
Bank of Ireland	8½	Robert Fraser & Ptnrs.	9½	United Bk of Kuwait	8½
Bank of India	8½	Girobank	8½	United Mizrahi Bank	8½
Bank of Scotland	8½	Grindlays Bank	8½	Unity Trust Bank Plc	8½
Banque Belge Ltd	8½	● Guinness Mahon	8½	Western Trust	8½
Barclays Bank	8½	HFC Trust & Savings	8½	Westpac Bank Corp.	8½
Benchmark Bank PLC	8½	● Hambros Bank	8½	Whiteaway Laidlaw	9
Berliner Bank AG	8½	Heritable & Gen Inv Bk	8½	Yorkshire Bank	8½
Brit Bk of Mid East	8½	● Hill Samuel	§8½		
● Brown Shipley	8½	C. Hoare & Co.	8½		
Business Mtge Tst.	9	Hongkong & Shangh	8½		
CL Bank Nederland	8½	Lloyds Bank	8½		
Central Capital	8½	Meghraj Bank Ltd	8½		
● Charterhouse Bank	8½	Midland Bank	8½		
		● Morgan Grenfell	8½		
		Mount Bnkg Corp.	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. § Mortgage base rate. § Demand deposit 3.50%. Mortgage 9.625% - 10%

FT CROSSWORD No.6,598
SET BY DANTE



ACROSS
1 One is prone to use arms in these exercises (5-3)
5 Delay that gives serious offence (4,2)
9 Pay-phone betting (8)
10 Lead to a wrong conclusion (6)
11 Form of drawing (3,5)
12 Unfinished plans of rowdies (6)
14 Sir, I'm involved with opera! (10)
18 Game for an old school get-together (5,5)
22 Work's returning, employ a partner (6)
23 Star skater is upset (8)
24 Excessive fondness for female without attachment (6)
25 Has a cigarette and looks happier (6,2)
26 Say your piece? (6)
27 The work of a high-minded artist? (8)

DOWN
1 Two-foot tropical tree (6)
2 Bumper numbers (6)
3 A street to flatten out for a gentle walk (6)
4 Dostoievsky's partner in crime (10)
6 Such a town has a unique mode of transport (3-5)
7 Barnaby put in uninteresting and tedious work (8)
8 News-stand? (5-3)
13 Witchcraft? (10)
15 He struggled to maintain faith in the past (8)
16 Not knowing what to believe and acting so strangely (8)
17 Pupil-power? (8)
19 Gets engaged when he is in a bit of trouble (6)
20 Rest of seat is requiring refurbishment (6)
21 New jokes about leading politician in Yugoslavia (6)

Solution to Puzzle No.6,597

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or -	Yield Gross
High Income				
American Income	38.8	41.4	-0.8	6.62
Gilts & Fixed Int	113.9	122.0xd	—	8.20
High Inc Equity	110.6	117.6xd	-1.2	5.06
Worldwide Bond	185.1	196.8	-0.4	4.93
Capital Growth				
American Growth	135.4	144.0	-1.1	1.68
Asian Pacific	55.6	59.6	-2.5	1.28
Assets & Earnings	130.3	138.6	-0.6	1.81
Capital Reserve	78.0	78.3xd	+0.1	3.85
Commdty & Energy	80.2	85.7xd	-4.0	1.14
European Capital	63.8	68.2	-1.2	1.10
General	153.6	163.3	-1.7	2.76
Japan	91.6	97.9	-2.7	0.00
Mastertrust	68.3	72.6	-0.6	2.41
UK Growth Acc	178.7	190.0	-1.6	1.39
UK Growth Dist	121.5	129.2	-1.1	2.05
US Emerging Cos	37.2	39.7	-1.8	0.05
Income & Growth	235.9	250.9	-2.2	3.79
Ethical Growth	39.8	42.3	-0.3	2.96

Abtrust Management Ltd
10 Queens Terrace, Aberdeen AB9 1QJ 0224 633070
20 Chiswell St, London EC1Y 4TY 01-374 6801

	Bid Price	Offer Price	+ or -	Yield Gross
UK Growth	29.0	30.8	-0.4	3.40
Nth Amer Inc (z)	23.0	24.5	-0.7	4.89
World Grth	37.3	39.6	-0.4	1.15
Extra Income	36.0	38.3xd	-0.3	6.39
Formerly Baillie Trust Managers Limited				
American	36.2	38.6	-0.3	2.39
Amer Extra Inc	33.6	35.8	-0.3	6.45
Australian	18.5	19.7	+0.1	1.78
European	39.2	41.8	-0.1	-
Gilt & Fixed Int	23.4	24.9xd	—	9.60
Global Income	33.2	35.4	-0.1	5.48
High Income	52.0	55.4	-0.4	5.51
Income Growth	61.4	65.4	-0.6	4.57
International	79.9	85.1	-0.7	0.62
Japan & General	159.1	169.3	+0.2	0.01
Special Situations	60.0	63.9	-0.5	1.38

AEtna Unit Trusts Ltd (a)(b)(c)
401 St John St, London EC1V 4QE 01-837 6494

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 4053/4/5

Scimitar Global Gth Ac.	[illegible]	30.7	—	—
Do Income	[illegible]	30.5	—	0.19
Scimitar European Acc.	[illegible]	21.6	—	—
Do Income	20.3	21.6	—	0.11
Scimitar UK Eq Inc Acc.	34.5	36.4	—	—
Do Income	32.2	33.9xd	—	6.66
UK Cap Gth Acc.	[illegible]	25.1	—	0.75
Scimitar Pac Basin Acc.	[illegible]	31.5	—	—
Scimitar Mngd Exempt	140.7	146.4	—	—

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Intnl Income Units	125.6	133.1	+0.2	3.56
Intnl Accum Units	192.5	204.2	+0.9	3.36
UK General Acc.	36.7	39.1	-0.3	3.38
UK General Inc.	35.3	37.6	-0.4	3.38
American	26.3	28.1	-0.2	2.13
European	33.6	36.1	-0.1	1.26
Japan	57.8	61.6	-0.2	0.03
Technology	33.6	35.8xd	-0.3	2.29
Performance Trusts				
Far East Perf Tst	18.4	19.6	-0.1	2.00
High Inc Perf Tst Inc.	23.2	24.7	-0.2	5.36
High Inc Perf Tst Acc.	23.6	25.2	-0.2	5.36
Worldwide Tact Perf Tst.	27.2	29.3	-0.3	2.72

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	202.2	216.3	-2.2	2.91
Columbus (US)	123.9	132.6	-1.0	1.34
Marco Polo (Pac)	214.0	228.9	-1.8	0.18
Da Vinci (Eur)	217.4	232.6	-1.3	1.67
Drake (W/w)	51.8	55.5	-0.3	2.67

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	196.3	208.9	-2.0	2.69
UK Smlr. Cos. Equity	202.8	215.8	-1.5	1.98
UK Special Situations	60.0	63.9	-0.3	3.31
Income Plus	51.8	55.2	-0.2	5.72
European	156.6	166.7	-0.2	1.18
Far Eastern	51.8	55.2	-0.4	1.92
Japanese	55.2	58.8	-0.4	—
North American	107.2	114.1	-1.2	1.42
International Growth	105.9	112.7	-0.8	0.91
Worldwide Venture	51.7	55.0	-0.3	3.84

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4955

TUUT Apr 5	213.7	225.6xd	+1.3	3.34

Trifon Fd Mngrs. Ltd.
Royal Lde. Ins. Colchester CO1 1RA 0206 764400

Trifon General	140.8	150.4xd	+0.9	1.46

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3999

Convertible & General	[illegible]	62.8	—	6.26
Accum Units	[illegible]	63.8	—	6.26
Income	76.3	[illegible]	-0.5	4.62
Accum Units	78.1	82.4	-0.5	4.62
Smaller Co's	81.0	85.9	-0.8	1.94
Accum Units	81.8	86.7	-0.8	1.94
UK Growth	81.9	[illegible]	-0.8	2.32
Accum Units	[illegible]	90.0	-0.8	2.32
Pacific Gold Tst Inc.	47.4	50.2	-0.2	—

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth Fd.	56.7	60.4	-0.8	1.77
Technical Analysis Fd.	[illegible]	51.5	-0.2	3.62

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisers: Henderson Crosthwaite Ltd

Friars Hse Cap Fd.	174.7	185.8	—	1.44
Friars Hse Inc Fd.	150.0	158.7	—	5.46

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

United Charities	164.4	175.4	+1.7	4.85

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Glenfriars	179.3	[illegible]	—	1.43
(Accum Units)	183.4	195.1	—	1.43
Far East & Gen.	35.0	38.5	-0.2	—
(Accum Units)	35.6	38.5	-0.2	—
Master Portfolio	65.352	67.006	-0.455	3.02
(Accum Units)	67.141	[illegible]	-0.466	3.02
American & Gen.	52.6	56.0	-0.6	1.82
(Accum Units)	54.0	57.5	-0.6	1.82
Growth	207.6	220.8xd	-2.6	2.41
(Accum Units)	313.2	333.2	-3.7	2.41
High Yield	260.8	276.6	-2.5	4.45
(Accum Units)	278.9	296.7	-2.8	4.45
Special Sits.	51.2	54.6	-0.7	2.13

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assoc.	383.2	403.5	.....	–
Eb'r Ph. Eq.	343.8	362.5	.....	–
Pension Plan Funds				
Phoenix				
UK Equity Acc.	160.4	168.8	–1.5	–
International Acc.	124.0	130.5	–0.3	–
Property Acc.	127.6	134.3	.....	–
Fixed Interest Acc.	157.2	165.4	+0.2	–
Money Acc.	137.9	145.1	.....	–
Bldg. Soc. Link Acc.	134.9	142.0	.....	–
Special Mngd. Acc.Q	144.4	151.9	–0.7	–
Phoenix/Framlington				
Intnl. Growth Acc.	86.8	91.3	–0.7	–
Amer & Gen. Acc.	80.4	84.6	–0.9	–
Capital Tst. Acc.	169.2	178.1	–1.2	–
Japan & Gen Acc.	179.6	189.0	–0.7	–
American Turn. Acc.	81.7	86.0	–0.6	–
Recovery Tst. Acc.	164.2	172.8	–1.8	–
Special Mngd Acc.	140.4	147.7	–1.0	–
Phoenix/NT				
International Acc.	118.5	124.7	–0.9	–
US & General Acc.	86.0	90.5	–1.3	–
Amer Spec Sits Acc.	62.8	66.1	–1.4	–
Japan & General Acc.	176.8	186.1	–1.4	–
Far East & Gen. Acc.	139.4	146.7	–1.1	–
UK Capital Acc.	165.3	173.9	–1.8	–
European Acc.	128.9	135.6	+0.3	–
Special Mngd. Acc.	121.8	128.2	–1.0	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	260.1	273.8	.....	–
Man Pen Inc & Cap Fd.	330.1	347.5	.....	–
Money Fund	111.8	117.7	.....	–
Pens Mngd Fd (Init)	80.9	85.2	.....	–
Pens Mngd Fd (Acc)	91.4	96.3	.....	–
Pens FT30 Fd (Init)	124.5	131.1	.....	–
Pens FT30 Fd (Acc)	140.6	148.0	.....	–
Pens O'seas MgFd(Init)	55.1	58.0	.....	–
Pens O'seas MgFd(Acc)	62.2	65.5	.....	–
Pens Fxd Int Fd (Init)	105.6	111.2	.....	–
Pens Fxd Int Fd (Acc)	119.2	125.5	.....	–
Pens Deposit Fd (Init)	101.0	106.4	.....	–
Pens Deposit Fd (Acc)	114.1	120.2	.....	–

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	77.0	82.0	+0.2	–
Building Soc. Fd.	159.0	168.0	.....	–
Balanced	230.0	243.0	–1.0	–
Deposit	159.0	168.0	.....	–
European	115.0	122.0	–1.0	–
GT Managed	144.0	152.0	–1.0	–
Gartmore Mngd.	94.0	99.00	–1.0	–
German	89.0	94.00	.....	–
Gilt	168.0	177.0	.....	–
High Inc.	105.0	111.0	.....	–
International Equity	145.0	153.0	.....	–
Japan	203.0	214.0	–1.0	–
Managed	50.0	53.0	–1.0	–
Property	244.0	257.0	.....	–
R. W. Imperial Gold	125.0	132.0	.....	–
UK Equity	294.0	310.0	–4.0	–
Pension Funds				
American	83.0	88.0	.....	–
Building Soc. Fd.	150.0	158.0	.....	–
Balanced	174.0	184.0	.....	–
Deposit	148.0	156.0	.....	–
European	115.0	122.0	.....	–
GT Managed	150.0	158.0	.....	–
Gartmore Mngd.	94.0	99.00	.....	–
German	87.0	92.0	.....	–
Gilt	137.0	145.0	.....	–
International Equity	100.0	106.0	.....	–
Japan	131.0	138.0	.....	–
Managed	51.0	54.0	.....	–
Property	181.0	191.0	.....	–
UK Equity	256.0	270.0	.....	–

Prolific Life & Pensions Ltd (z)
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fd.	488.2	514.5	.....	–
Cash Fd.	215.2	226.8	.....	–
Property Fund	251.1	264.6	.....	–
Equity Fund	522.7	550.8	.....	–
Fxd. Int. Fund	289.9	305.5	.....	–
International	229.9	244.6	.....	–
High Income	391.8	416.9	.....	–
Far East	350.7	373.1	.....	–
North American	195.0	207.5	.....	–
Special Sits.	468.8	498.8	.....	–
Technology	208.5	221.9	.....	–
Extra Inc Fd.	228.8	243.5	.....	–
Convertible & Gilt Fd.	142.8	150.5	.....	–
American Income	94.6	100.7	.....	–
Gilt Fund 20	297.7	316.8	.....	–
European Fund	76.4	81.3	.....	–
Managed Pens. Acc.	451.8	475.6	.....	–
Building Soc. Acc.	213.8	225.0	.....	–
Property Pens. Acc.	251.8	265.0	.....	–
Fix. Int. Pens. Acc.	338.1	355.9	.....	–
Equity Pens. Acc.	581.6	612.2	.....	–
International Pens Acc.	205.8	216.6	.....	–
High Inc Pens Acc.	396.9	417.8	.....	–
Tech Pens Acc.	134.2	141.3	.....	–
N American Pens Acc.	129.5	136.3	.....	–
Far Eastern Pens Acc.	336.0	353.7	.....	–
Special Sits Pens Acc.	370.3	389.8	.....	–
Extra Income Pens Fd.	258.4	272.0	.....	–
Convertible & Gilt Pen.	150.2	158.1	.....	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Mar 31	195.2	203.4	.....	–

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	441.6	464.9	.....	–
Equity Fd.	867.9	913.6	.....	–
Intnl. Fd.	301.0	316.9	.....	–
Fixed Int. Fd.	367.9	387.3	.....	–
Prop. Fd.	314.3	330.9	.....	–
Cash Fd.	235.6	247.8	.....	–
Pacific Basin Fd.	170.5	179.5	.....	–
North American Fd.	123.2	129.7	.....	–
European Fd.	126.5	133.2	.....	–
Holborn Balanced Gwth Fd	100.0	105.3	.....	–
Holborn Strategic Gwth Fd	99.1	104.4	.....	–

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	460.3	484.6	.....	–
Equity	648.4	682.6	.....	–
Global Equity	192.9	203.1	.....	–
Fixed Interest	377.5	397.4	.....	–
Property	312.2	328.7	.....	–
Cash	138.7	146.0	.....	–
Index Linked Gilt	163.8	172.5	.....	–
Guaranteed	8.68	–	.....	–
International Money	183.6	193.3	.....	–
North American Fd.	54.9	57.8	.....	–
Japanese Fund	123.5	130.1	.....	–
European Fund	66.8	70.4	.....	–
Special Situations Fd.	93.4	98.44	.....	–
Communications Fund	78.0	82.2	.....	–
Smaller Cos Fund	97.8	103.0	.....	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Mar 30	£121.09	124.55	.....	–
Equity Fund Mar 30	£131.19	135.13	.....	–
Intntl Fund Mar 30	£19.95	20.60	.....	–
Intl Bond Fd Mar 30	£10.53	10.67	.....	–
Fixed Int Mar 30	£68.18	69.09	.....	–
Index Linked Mar 30	£51.63	52.25	.....	–
Property Fund Mar 30	£80.79	85.55	.....	–
Cash Fund Mar 30	£18.3694	18.3694	.....	–
Pru-Linked Retirement Plan				
Managed Fd Mar 30	307.2	320.0	.....	–
Cash Fund Mar 30	174.0	181.3	.....	–
Prudential Pensions Investment Account				
Pens Man Fd Apr 5	125.9	132.6	–0.8	–
Pens UK Eq Fd Apr 5	229.3	241.4	–2.6	–
Pens Itl Fd Mar 31	140.6	148.1	–0.1	–
Pens Fxd Mar 31	156.7	165.0	+0.5	–
Pens Index Lk Mar 31	128.8	135.6	+0.9	–
Pens Cash Fd Mar 31	113.9	119.9	.....	–

Regency Life Assurance Co Ltd
55-57 High Holborn, London WC1V 6DU 01-831 7481

Aggressive Ptflio Fd.	103.3	108.7	–0.3	–
Balanced Ptflio Fd.	276.0	290.5	–0.8	–
Cautious Ptflio Fd.	113.7	119.6	.....	–
Elite Fund	99.3	104.5	–0.6	–
European Fund	68.5	72.1	–0.3	–
Far East Fund	103.0	108.4	–1.4	–
Fixed Interest Fund	243.1	255.8	+0.9	–
International Fund	220.4	231.9	–0.4	–
Money Fund	165.4	174.0	+0.1	–
N. American Fd.	85.8	90.3	–0.7	–
Property Fund	377.7	397.5	–0.4	–
UK Equity Fd.	331.0	348.4	–1.8	–
AJ M Brewin Dipln Fd.	82.4	86.7	–0.6	–
Ashlands Sel. Inv. Fd.	100.6	105.9	–0.6	–
Chart Safety First Bd.	105.5	111.0	+0.1	–
Conquest Fund	65.9	69.4	–1.8	–
Exec Master Fd.	84.7	89.2	.....	–
Hardwick Growth Fd.	104.6	110.1	+0.3	–
Bentley Hale LR Port.	90.1	94.8	–0.2	–
Milbourne Spec Port.	97.4	102.5	.....	–
Swiss Global Fd.	97.9	103.1	.....	–

All funds have equivalent pension fund. Series 2 prices above.
Others available from Regency Life.

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

Deposit Acc Fd.	114.4	120.4	.....	–
Equity Acc Fd.	254.5	267.9	.....	–
Managed Acc Fd.	236.1	248.6	.....	–
Prop Fd (1st Issue)	–	483.8	.....	–
Prop Acc Fd (2nd Iss)	151.9	159.9	.....	–
Unit Trust Mn. Fd.	88.3	92.9	.....	–
RL Pension Funds				
Deposit Acc.	142.1	149.6	.....	–
Equity Acc.	189.0	199.0	.....	–
Fixed Int Acc.	149.8	157.7	.....	–
Gilt Indx Lnk Acc.	117.5	123.7	.....	–
Managed Acc.	222.3	234.0	.....	–

Royal Heritage Life Assurance Ltd
20 Clifton St, EC2A 4HX 01-920 0202/0733 262524

Multi Gwth		424.28		
Multi Gwth "A"	424.2	446.4	.....	–
Op Prop.	334.7	354.5	.....	–
Op Equity	660.6	695.4	–13.5	–
Op High Yld.	345.8	364.0	+1.9	–
Op Man.	511.2	538.2	–5.4	–

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102¼	99	Exch 10½pc '88	100	.....	10.49	8.21
101	98	Treas 9¾pc Cv '88	100	.....	9.73	8.42
99	93	Transport 3pc '78-88	99	.....	3.03	6.60
101¼	98	Treas. 9½pc '88	100½	.....	9.45	8.51
105	101	Treas 11½pc 1989	102¼	–	11.23	8.55
102	97	Treas 9¼pc Cnv 1989	100	–	9.42	8.57
96	89¼	Treas 3pc 1989	96½	–	3.11	6.32
104½	99	Treas 10½pc 1989	101	.....	10.30	8.68
103	98½	Exch 10pc 1989	101¼	+	9.84	8.66
105¼	100	Exch 11pc 1989	103¼	.....	10.66	8.65
96	89	Treas 5pc 1986-89	96	+	5.17	7.32
108	99	Exch 10¼pcCv '89	104	.....	9.84	7.42
111	104	Treas 13pc 1990‡‡	107	.....	12.15	8.63
106½	100	Exch 11pc 1990‡‡	103	–	10.59	8.68
110	103	Exch. 12½pc 1990	106	–	11.72	8.72
93	84½	Treas. 3pc 1990	93	.....	3.21	6.45
100	93	Treas 8¼pc 1987-90‡‡	99	.....	8.30	8.55
102½	98	Treas. 8pc Cv 1990	101	.....	7.86	7.13
105	97½	Treas. 10pcCv 1990	102	+	9.73	8.76
91	81	Exch 2½pc 1990	90	.....	2.76	6.37
110½	102	Treas 11¾pc 1991	107	.....	10.98	8.80
95	87¼	Funding 5¾pc '87-91‡‡	94	+	6.08	7.80
90	80¼	Treas. 3pc 1991	89	.....	3.35	6.76
110½	98½	Treas 10pc Cv '91 ‡‡	104	.....	9.54	8.26
109	101	Exch. 11pc 1991	106½	+	10.32	8.79
99	91	Treas. 8pc 1991	97	–	8.20	8.77
116	107	Treas 12¾pc 1992‡‡	112	.....	11.36	8.85
106	97	Treas 10pc 1992	103½	–	9.64	8.84
99½	90	Treas. 8pc 1992 ‡‡	97½	–	8.21	8.76
108	99½	Treas 10½pc Cv 1992‡‡	105	–	9.96	8.88
86	79	Treas. 3pc 1992	85	–	3.50	6.96
115½	105	Exch. 12¼pc '92	111	+	10.96	8.94
121	110	Exch 13½pc 1992	116	–	11.61	8.97
		Five to Fifteen Years				
107	97	Treas 10pc 1993‡‡	104	–	9.59	8.92
118	107½	Treas 12½pc 1993‡‡	114	+	10.93	9.00
95	82¼	Funding 6pc 1993‡‡	92	+	6.54	7.87
125	113¼	Treas 13¾pc 1993‡‡	120	–	11.45	9.09
50	49	Treas 8½pc 1994 (£50pd)	50	+	8.77	9.18
129	117½	Treas 14½pc 1994‡‡	124	+	11.65	9.04
124	112	Exch 13½pc 1994	119	.....	11.27	9.17
107½	97	Treas. 10pc Ln. 1994‡‡	104	.....	9.57	9.02
120	106	Exch. 12½pc 1994	115	–	10.80	9.17
103½	92	Treas 9pc 1994‡‡	100¼	+	8.99	8.96
118¼	105	Treas 12pc 1995	114	+	10.52	9.17
84¼	76	Exch 3pc Gas 90-95	80½	–	3.71	6.40
109	97¼	Exch. 10¼pc 1995	105	–	9.68	9.12
123	110	Treas 12¾pc 1995‡‡	119	–	10.71	9.21
130	116¼	Treas. 14pc '96	125	–	11.18	9.35
102	92	Treas. 9pc 1992-96‡‡	100	–	8.98	8.93
139	123	Treas 15¼pc 1996‡‡	132	–	11.46	9.32
127	113	Exch 13¼pc 1996‡‡	122	–	10.83	9.25
89	81¼	Redemption 3pc 1986-96	85	–	3.53	5.20
108	95¼	Conversion 10pc 1996	104	–	9.56	9.21
128	113½	Treas 13¼pc 1997‡‡	123	–	10.73	9.27
111	98¼	Exch 10½pc 1997	107	+	9.75	9.21
101	88	Treas 8¾pc 1997‡‡	97	+	8.93	9.06
98	92½	Tr 8¾pc Ln "C" 1997	97	+	8.93	9.06
140	123	Exch 15pc 1997	134½	.....	11.16	9.45
106	93	Exch. 9¾pc 1998	103½	+	9.43	9.21
88	78	Treas 6¾pc 1995-98‡‡	86	+	7.80	8.79
145	128	Treas. 15½pc '98‡‡	139	.....	11.09	9.43
122	107	Exch. 12pc 1998	117½	–	10.19	9.31
106	92	Treas 9½pc 1999‡‡	102	–	9.24	9.06
124	109	Exch. 12¼pc 1999	119	.....	10.22	9.31
113	98½	Treas. 10½pc 1999	108½	+	9.66	9.22
111	96	Conversion 10¼pc 1999	107	–	9.57	9.23
100¼	86	Treas. 8½pc Ln 2000‡‡	96¼	–	8.83	9.01
103	89½	Conversion 9pc 2000‡‡	99	–	9.03	9.04
131½	114½	Treas. 13pc 2000	126	+	10.31	9.37
110	95	Treas 10pc 2001	106	+	9.41	9.15
134	118	Treas. 14pc '98-01	129	+	10.83	9.43
108	93	Conversion 9¾pc 2001	104½	.....	9.32	9.14
122½	107	Exch. 12pc '99-02	117½	.....	10.19	9.33
110	96	Conversion 10pc 2002	106½	–	9.36	9.11
109	94	Treas 9¾pc 2002	105	–	9.28	9.11
103	89	Exch. 9pc 2002	99	–	9.05	9.06
		Over Fifteen Years				
136	119	Treas. 13¾pc 2000-03	131	–	10.48	9.41
111	96½	Treas 10pc 2003	107	–	9.30	9.07
121	105½	Treas. 11½pc 2001-04	116½	–	9.84	9.23
111	96	Treas. 10pc 2004	107	–	9.26	9.05
59½	51¼	Funding 3½pc '99-04	59	+	5.94	8.07
107	92	Conversion 9½pc 2004	104	–	9.12	9.01
107	92	Conversion 9½pc 2005	104	–	9.11	9.00
116½	101	Exch. 10½pc 2005	112	–	9.28	8.99
132	113	Treas. 12½pc 2003-05	127	–	9.79	9.12
94	81½	Treas. 8pc 2002-06‡‡	91	–	8.72	8.92
110½	95	Conversion 9¾pc 2006	106	–	9.15	9.01

BRITISH FUNDS—Contd

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
94	81	Treas 8pc 2009	92	–	8.69	8.83
101	89	Conv 9pc Ln 2011	101¼	–	8.88	8.86
69¼	59	Treas. 5½pc 2008-12‡‡	68¼	–	8.06	8.66
91	79	Treas. 7¾pc 2012-15‡‡	89	–	8.70	8.81
134	116	Exch. 12pc '13-'17	130¼	–	9.22	8.96
		Undated				
45½	39	Consols 4pc	44	.....	9.00	–
41	34	War Loan 3½pc‡‡	39½	.....	8.83	–
52	46½	Conv. 3½pc '61 Aft	51¼	.....	6.76	–
34	29	Treas. 3pc '66 Aft	33¼	.....	9.06	–
29	24	Consols 2½pc	28	.....	8.91	–
29	24	Treas. 2½pc	28	.....	8.97	–
		Index-Linked			(1)	(2)
120¼	108	Treas 2pc IL '90(353.9)	120¼	–	0.13	1.58
101¼	93½	Do. 2pc '92‡‡ (385.8)	101¼	.....	1.74	2.41
135¼	119	Do. 2pc '96(267.9)	135¼	+	2.86	3.18
112¼	96½	Do 2½pc '01 (308.8)	112¼	+	3.51	3.74
110	94½	Do. 2½pc '03(310.7)	109¼	+	3.60	3.80
113	94	Do. 2pc '06(274.1)	110¼	+	3.67	3.84
108	89	Do. 2½pc '09(310.7)	103	+	3.67	3.83
113	93	Do. 2½pc '11(294.1)	107	+	3.69	3.85
95	76	Do. 2½pc '13(351.9)	89½	+	3.66	3.80
103	83½	Do. 2½pc '16(322.0)	96½	+	3.62	3.76
101	81½	Do. 2½pc '20 (327.3)	94	+	3.56	3.68
86	68	Do. 2½pc '24 ‡‡(385.3)	80	+	3.51	3.63

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for July 1987:101.8 and for February 1988: 103.7 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113	97	African Dv Bk 11¼Ln 2010	107	–	10.31	10.21
109½	93	Asian Dev Bk 10¼pcLn2009	104¼	+	9.83	9.76
136	117¼	Australia 13½pc 2010	129	–	10.43	10.14
118¼	100½	Do. 11¼pcLn2015	112	–	10.10	10.02
115½	99¼	Euro Inv Bk 11pc Ln 2002	110¼	+	9.99	9.68
110¼	94	Do. 10¼pc2004	105¼	+	9.81	9.67
126	109	Int-Am Dev Bk 12½pc 2003	120¼	+	10.41	9.87
104½	88¼	Do. 9¼pcLn 2015	98	+	9.89	9.89
97¼	83	Malaysia 10¼pcLn 2009	95½	.....	11.26	11.30
130	100	Sweden 13½pc Ln 2010	130	–	10.37	10.04

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
22½	994p	♦Staley Continental‡	15	–⅛	80c	–	2.9
44¾	21⅝	Sun Co. Inc. $1	30¼		$3.00	–	5.3
42¼	22¼	TRW Inc. 62½c	25¾	–⅜	$1.60	–	3.4
37⅝	21	Tenneco $5	22⅞	–⅜	$3.04	–	7.3
29⅝	15¾	Texaco $6.25	25½	–⅝	$3.00	–	6.6
74¾	36⅜	Time Inc. $1	44⅝	–1⅛	$1.00	–	1.2
30¼	15	Transamerica $1	17¾	+¼	$1.84	–	5.8
14¼	1¼	Transworld Corp $5	[illegible]	–17	20c	–	1.2
27½	12¼	TRINOVA Corp.	15¾	–⅜	56c	–	1.9
24¾	12⅝	♦USX $1	15¼	–⅜	$1.20	–	4.3
37¾	16¾	Utd. Technologies	20½	–⅝	$1.40	–	3.7
38⅝	25¾	US West‡	27¾	+⅛	$3.28	–	6.5
30½	17⅛	Waste Management $1	18¼	–⅝	36c	–	1.1
31⅝	11⅝	Whirlpool $1	15⅞	–⅛	–	–	–
37½	16½	♦Woolworth $3½	26¼	+5⅝	$1.32	–	2.5

CANADIANS

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691d	190p	ABM Gold Corp‡	288p	+4	–	–	–
32p	10p	♦Abbot Energy Corp	25p		–	–	–
18¼	506p	♦Amer. Barrick Res.	11¼		–	–	–
141p	3½p	♦American Lightwave	8½p	–1½	–	–	–
122p	25p	♦Armeno	25p	–1	–	–	–
119p	39½p	♦Augmitto Expln	51p	–2	–	–	–
19¾	10⅝	Bk. Montreal‡	11⅝		$2.00	–	7.6
10¼	488p	Bk. Nova Scot.‡	545p	–15	72c	–	5.8
20⅝	15	BCE‡	16⅝		$2.44	–	6.5
10⅝	511p	♦Bow Valley‡	609p	+11	40c	–	2.9
20	10¼	♦Brascan‡	11¼		88c	–	3.3
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Contd

1987/88 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£22¼	£12¼	Torchmark $1.00	£15½	.....	Q$1.00	—	3.9	—
410	235	Trade Indemnity	383	.....	5.6	—	2.0	—
£34	£17¼	Travelers $1.25	£18⅞	−⅛	$2.40	—	6.9	—
£30¼	£15¼	USF & G Corp $2.50	£16¼	−⅛	Q$2.64	—	9.8	—
£33¼	£15¼	USLIFE Corp. $1.0	£19¼	−¼	Q$1.28	3.2	3.9	8.8
738	495	Wind Friendly & 10p	585	.....	21.0	—	5.0	—
464	192	Willis Faber 12½p	208	−2	11.48	♦	7.6	♦
128	41	Windsor Secs. 10p	60	.....	0.8	♦	1.8	♦

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	.....
Craig & Rose £1	688	.....
Finlay Pkg. 5p	78	+1
Holt (Jos) 25p	£11½	.....

IRISH

Fund 11¼% 1988	£100¼	.....
Nat. 9¾% 84/89	£100⅝	.....
Fin. 13% 97/02	£117¼	+1⅛

Arnotts	290	−5
CPI Hldgs.	78	.....
Carrol Inds.	150	−3
Hall (R. & H.)	118	−1
Helton Hldgs.	41	.....
Irish Ropes	120	.....
Unidare	360xd	.....

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp.	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	24
Cadburys	26
Charter Cons.	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met.	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd.	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen.	30
Lex Service	35
Lloyds Bank	28
Lucas Inds.	62
Marks & Spencer	20
Midland Bk.	35
Morgan Grenfell	35
NEI	10
Nat West Bk.	60
P & O Dfd.	52
Plessey	16
Polly Peck	32
Racal Elect.	22
RHM	35
Rank Org Ord.	60
Reed Intnl.	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	58
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Mar 7	Mar 17	Mar 18	Mar 28
Mar 21	Apl 7	Apl 8	Apl 18
Apl 11	Apl 21	Apl 22	May 3

*New time dealings may take place from 9.00 am two business days earlier.

Equities nervous ahead of new tax year and Gilts drift lower in slack trading

THE FINAL trading session in the UK securities markets for the 1987-88 tax year brought nothing to lift the gloom of recent weeks. In addition to the unsettling factors of the past month, investors faced continued currency uncertainties, as well as the prospect that today might bring selling of blue chip equities as the change in the UK Capital Gains Tax takes effect. The Budget change in Gains Tax allows investors to take tax free gains on stocks held before 1982 – offering significant profits in life assurance, property, and selected industrial stocks.

The uncertainty in UK markets over the outlook for sterling was emphasised by the move by the pound above DM 3.13. The consequent weakness in exporting stocks depressed market indices at first but these rallied smartly when Wall Street, reversing its weekend trend, opened higher.

However, the chief factor in the London bond and equity markets was again the low level of turnover as another four- day trading week confirmed the inclination of the fund managers to stay out of the marketplace. Seaq trading volume totalled only 365.6m shares at 6.00pm.

With both Wall Street and Tokyo easier while London was closed over its extended Easter break, the UK equity market opened lower, and extended its loss as it awaited the new session in New York.

By early afternoon, the market was down by 17 FT-SE points, but a good start on Wall Street brought a rally in London – although trading remained unexciting.

The FT-SE 100 Index closed a a net 4.9 lower at 1737.6, about sixty points below the levels seen at the close of the week of the Big Crash of last October. But the market is still 564 FT-SE points below pre-Crash levels, and looked tired yesterday. ICI closed last night still some £6.30 short of its pre-Crash price, and Glaxo were nearly £5 short on similar quotations.

Government bonds looked disappointing, ending with net losses of ¼ at the long end, despite the firmness in the pound. Traders ascribed little significance to yesterday's moves – "It looks as though nobody was in the City", was one comment.

Much of the business in Gilts came early in the session, and traders said there was little pressure from outside the UK. London's attention remained fixed on the outlook for the US Treasury bond. The absence of selling of UK Gilts by Japanese holders following the end of their tax year provided some consolation in London yesterday.

While the outlook for the pound remains a significant factor in the market's attempts to read the outlook for domestic interest rates, the bond market believes that the sterling could rise further before ringing alarm bells at the Bank of England and Downing Street.

Index-linked issues gained a further ½ point in thin turnover, with traders again stressing that stock shortage was the chief factor behind price gains.

GEC were a major early casualty in the electronics issues and briefly fell back to 142p before rallying to close unaltered at 145p after a turnover of 6.8m shares. Dealers said there was an early flurry of selling, triggered by fears that today, the first day of the new financial year, could bring selling of the stock, one of the market's pre- 1982 high flyers, as stockholders reacted to the Budget changes in UK Capital Gains Tax (CGT).

But analysts discounted the such talk: "we would expect there to be net sellers of the stock but only over a period of a few months and when it is advantageous to do so", said a leading analyst.

Racal also came under fire as investors and institutions worried about possible CGT–related selling as well as concern over the battle with British Telecom over market share in the cellphone business.

Marked down to 206p at the outset, Racal later rallied to close a net 2 off at 208½p on turnover of 4.1m. Telecom, where in excess of 6m shares changed hands, eased the same amount to 241p.

Bunzl weakened as analysts downgraded profits forecasts despite a rise in the '87 total. Annual profits of £85.7m, boosted by the adoption of average exchange rates, still fell short of analysts' expectations for 1987, although many had recently downgraded estimates to around £88m/£89m. The shares closed 13 down on balance at 144p.

Mr Mike Murphy, sector researcher at Warburg Securities, said that, but for the change in exchange accounting practice, profits for '87 would have been nearer £81m. He has reduced his forecast for 1988 profit from £99m to £94m.

Oil and gas shares endured a day of minor turnovers for the most part. British Gas, where 8.6m changed hands, eased 2 more to 129½p as the final call on the shares of 40p on April 19 drew closer: the shares will be quoted fully–paid as from next Monday.

BP were only moderately traded, in both classes of stock. The "old" were 2 off at 259p on turnover of less than 2m while the "new" eased a penny to 69p on turnover of 4.1m. Other oils drifted ahead of Saturday's OPEC pricing committee meeting. Burmah eased 5 to 507p in front of tomorrow's preliminary figures.

The major banks performed relatively well against the rest of the market. Of the big–four, Lloyds attracted another good turnover – 4.1m shares – and settled a shade firmer at 268p with dealers still pondering over stories of a stake–building operation. Midland, with 3.2m traded, held at around 383p while Barclays managed a minor gain to 478p on turnover of 1.5m.

The Scottish banks drifted lower, as did TSB, but Standard Chartered made modest progress and settled 7 up at 453p; the shares will be ex-dividend on Monday. In merchant banks, Kleinwort Benson fell 7 to 349p ahead of the preliminary results expected today – CL-Alexanders Laing and Cruikshank are forecasting £67m, SBCI Savory Milln £64.9m and BZW £66.5m.

Interest in the insurance sector was mainly centred on Pearl group and Royals. The former initially dipped to 417p but quickly picked up to eventually close a net 8 higher at 428p with the market rife with talk that "down–under " group FAI, headed by Larry Adler, had moved in again to add to its stake in the company, last revealed as around the 6.48 per cent mark.

Royals put on 3 to 898p, sustained, according to dealers, by yield considerations. Elsewhere, the most notable feature was a consideration of the results announced late last Thursday.

Press suggestions that Bond Corporation, the Australian conglomerate, had topped up its stake in Allied-Lyons spurred fresh support which initially took the price a few pence higher. Turnover was fairly good for a drab day – 2.8m shares passed through the system – but the upward move lost momentum and Allied eased to close a touch off at 382p. Guinness managed to hold Thursday's closing level of 296p but Bass drifted back 8 to 836p. Regional issues were quiet with Greenall Whitley 3 harder at 308p, benefiting after a Morgan Grenfell recommendation to switch from Boddingtons, slightly easier at 134p.

Building issues marked time, hopefully awaiting a lead from the next batch of trading statements. AMEC, preliminary figures due tomorrow, softened a couple of pence to 358p, while Blue Circle, annual results due on April 15, closed 3 off at 438p. Meyer International came with a late run to close 7 higher at 377p, but currency influences continued to depress Redland, down 3 more at 411p and RMC, finally 11 lower at 460p. Costain moved up to 324p amid continuing hopes of an outright bid from Trafalgar House, but later eased back to close unchanged at 319p; the latter now holds over 6 per cent of the Costain equity. Takeover speculation also boosted Magnet, 4 up at 234p, while satisfactory preliminary profits left Wilson (Connolly) 2 dearer at 374p. Vibroplant advanced 30 to 703p in a restricted market following a lunch with SBCI Savory Milln and a Press recommendation.

ICI traded lower initially, but picked up later on early Wall Street influences to close only a few pence cheaper on balance at 974p. Laporte were a dull market at 352p, down 8.

The £21.4m agreed bid for Midlands–based newsagents and confectionary group Alfred Preedy by Next came as a complete surprise. Preedy shares leapt to a peak 230p at one point before settling a net 68 higher at 220p. Next closed 4 easier at 257p. Marks and Spencer were a fraction off at 173p on turnover of 2.6m after a last–minute agreement over the dismemberment of US stores group Federated Department Stores by Campeau and RH Macy which will lead to M & S gaining control of prestige US clothing group Brooks Bros. Elsewhere a bear squeeze boosted Storehouse 5 to 237p.

Cable & Wireless extended last Thursday's late run, racing ahead 13 to 313p as 3.8m shares changing hands. The weight of buying interest raised hints of further stake–building, although this view was rejected by at least one top analyst. Plessey, turnover 3.7m, dipped 3 to 152p.

Thomas Robinson provided a rare bright spot in the Engineering sector, rising 6 to 462p on the proposed acquisition of Calder Woodworking Machinery for a total consideration of £1.75m. Rolls-Royce were one of the more actively traded stocks (some 4.5m shares changed hands) and closed a couple of pence lower at 111p. Senior Engineering eased 3 to 51p after comment on the preliminary figures.

Food Retailers were relatively steady, but Manufacturers were sensitive to small selling. Tate and Lyle falling 11 to 771p and Hillsdown 4 to 268p. Northern Foods, a long-standing takeover favourite, shed 6 to 246p while Bernard Matthews, bought last week on hopes that the company might attract a bid after the recent poor trading statement, came back 6 to 93p.

Currency worries made for another cautious trade in International stocks. But after an initial reaction, prices staged a rally as the dollar took on a steadier trend and Wall Street gained ground in the early dealings. Glaxo, down to 975p at one stage, closed only a few pence cheaper at 989p while Beecham settled with little alteration at 454p, after 449p. Resisting the trend, Hanson closed 1¼ to the good at 126½p in a volume of some 7.0m shares, sentiment being helped by the sale of certain companies comprising part of Hanson Industries' Glidden Latin American operations. Hanson also announced completion of the disposal of Kaiser Cement's Lucerne Valley plant to Mitsubishi Corporation. Reckitt and Colman, scheduled to reveal preliminary figures tomorrow, also made headway, closing 13 dearer at 803p.

Acquisition news failed to help Alumasc, 10 cheaper at 243p, but satisfactory preliminary figures lifted Silentnight 3 to 146p. Coloroll, rumoured a possible bidder for J. Crowther, gave up 7½ at 180p, while Norcros eased to 423p following the sale of its Fleetdrive contract hire business to Lex Vehicle Leasing for £4.2m cash. MAI stakebuilding suggestions left AGB Research 7 dearer at 198p while press mention prompted gains of a few pence in Guthrie, 201p, and in Yale and Valor, 233p.

Lucas Industries slipped from favour, losing 16 to 523p in thin trading conditions. Nomura Research rate the stock a weak hold and advise "the rights issue puts a heavy weight on the price, particularly as investors have to be patient to see where Lucas plans to utilise the proceeds". Currency influences unsettled Lex Service, 9 down at 328p, but made little impression on Jaguar, only marginally lower at 274p. Kwik-Fit lost 4 to 185p while Rover gave up 9 further to 61p in a limited market.

County Properties, the UK-based property development and investment group, soared to 201p prior to closing a net 53 up at 195p following a recommended offer, worth 205p per share cash, from fellow property group Broadlands Properties. Allied London Properties shaded to 118p following confirmation of the acquisition of Cooper Developments (Midlands) for £8m.

Press reports that textile group John Crowther could soon receive a bid of 190p a share from Coloroll failed to attract buyers and the shares drifted back 7 to 178p.

BAT Industries were another of the session's casualties, losing 5 to 413p on further talk of the group raising its offer of $63 for each Farmers Group share. Citicorp Scrimgeour Vickers says of the shares "we are buyers on income grounds (cum dividend until 8th April) even though short-term performance is likely to be restrained by the uncertainty over Farmers, and market and currency movements"

Traded option activity was at a low ebb with operators pessimistic about an upturn in business until next week. Total contracts came out at 14,625 comprising 8,485 calls and 6,140 puts. The FTSE index attracted just 781 calls and 1,556 puts.

Traditional Options

- First dealings Mar 28
- Last dealings Apr 15
- Last declarations June 30

For Settlement July 11

For rate indications see end of London Share Service

Dealers reported a lively interest in the Traditional option market. Stocks to attract money for the call included Cambrian Venture, B. Matthews, Helical Bar, A & M Group, Epicure, Coloroll, British Petroleum partly-paid, Blacks Leisure, Waterford Glass, Yule Catto, Rex Williams, Aurora, Eagle Trust, Benjamin Priest, Willis Faber, Morgan Grenfell, Ben Bailey, Fergabrook, Christy Hunt, BAT Industries and Underwoods. A put was arranged in Blacks Leisure, while double options were transacted in A & M Hire and British Petroleum partly-paid.

FINANCIAL TIMES STOCK INDICES

	Apr. 5	Mar. 31	Mar. 30	Mar. 29	Mar. 28	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	91.03	91.05	90.72	90.39	90.18	90.76	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.56	97.50	97.73	97.67	97.68	97.35	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1382.9	1386.7	1398.1	1405.6	1394.4	1564.5	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	233.1	237.3	237.2	238.2	240.6	424.9	497.5 (4/8/87)	234.0 (29/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.64	4.75	4.71	4.68	4.66	3.74				
Earnings Yld. %(full)	12.14	12.09	11.98	11.90	11.86	8.51				
P/E Ratio (net)(*)	10.06	10.10	10.19	10.26	10.29	14.53				
SEAQ Bargains (5pm)	35,662	35,548	37,584	31,190	34,585	39,749				
Equity Turnover (£m)	-	915.53	1114.61	935.28	942.67	1308.51				
Equity Bargains	-	43,750	45,680	48,817	40,411	57,340				
Shares Traded (ml)	-	426.1	502.9	421.5	396.2	500.0				

S.E ACTIVITY

Indices	Apr.5	Mar.31
Gilt Edged Bargains	169.0	170.0
Equity Bargains	283.5	296.0
Equity Value	1850.5	2252.9
5-Day average		
Gilt Edged Bargains	144.9	133.6
Equity Bargains	280.6	272.9
Equity Value	2115.1	2311.4

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1379.6	1381.8	1379.0	1374.0	1374.3	1373.9	1376.9	1382.5

Day's High 1382.9 Day's low 1373.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=9.96.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's
ASDA Group	1,200	Enterprise Oil	[illegible]
Allied-Lyons	2,900	Fisons	[illegible]
Amstrad	709	General Accident	[illegible]

NEW HIGHS AND LOWS FOR 1987/88

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

FIXED INTEREST

LONDON TRADED OPTIONS

RISES AND FALLS YESTERDAY

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

CANADA

MONTREAL
Closing prices April 5

64664	Bank Mont	$26¾	26½	26¾	+⅛
940	BombrdrA	$09⅝	09⅝	09⅝	−⅛
53067	BombrdrB	$09⅝	09½	09½	
10300	CB Pak	$22¼	22	22	−⅜
29700	Cascades	$05¾	05½	05½	−⅛
2923	ConBath	$17¾	17½	17¾	
18150	DomTxtA	$17	16¾	16¾	−¼
102500	MntTrst	$14⅝	14½	14⅝	−⅛
102690	NatBk Cda	$10⅝	10⅝	10¼	
13549	Noverco	$11½	11¼	11¼	−¼
115720	Power Corp	$14¼	13⅞	14⅛	−⅛
23851	Provigo	$10⅝	10¼	10⅝	+⅛
38282	Royal Bank	$28⅝	28⅜	28½	−⅛
37369	SteinbrgA	$44⅛	43½	44⅛	+¾
5640	Videotron	$10¼	10	10¼	

Total Sales 5,560,123 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

INDICES

NEW YORK DOW JONES

	April 4	Mar. 31	Mar. 30	Mar. 29	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
♦Industrials	1980.6	1988.06	1978.12	1998.34	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.52	89.76	89.70	89.76	95.51 (9/2/87)	81.26 (19/10/87)	—	—
Transport	856.78	863.05	859.47	863.88	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	170.52	171.47	171.29	172.95	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2013.26 (2000.66) Low 1969.50 (1957.89)

STANDARD AND POOR'S								
Composite ‡	256.09	258.89	258.07	260.07	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	297.15	300.39	299.37	301.70	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.03	22.32	22.28	22.55	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	145.17	146.60	146.22	147.22	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	295.01	296.43	293.67	294.33	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	371.89	374.64	371.78	372.96	455.28 (26/8/87)	291.90 (28/10/87)	455.28 (26/8/87)	54.87 (31/10/72)

CHIEF LONDON PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES

Tr.2pc.I.L.1996	£135¾	+ ⅜
AGB Research	198	+ 7
BICC	315	+ 10
Babygro Hldgs.	71	+ 6
Cable & Wireless	331	+ 13
County Props B	195	+ 53
Meyer Intl.	377	+ 7
Pearl	428	+ 8
Preedy (A.)	220	+ 68
Reckitt & Colman	803	+ 13
Vibroplant	698	+ 25

FALLS

Bunzl	144	− 13
Coloroll	180	− 7½
Crowther (J.)	173	− 7
Kleinwort Benson	349	− 7
Lex Service	328	− 9
Lucas Inds.	523	− 16
Rover	61	− 9

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.5	19	34	23⅝	23⅛	23⅝	+⅛
38⅛	21	AFG s	.16	.5	14	304	32¾	32⅜	32⅝	
27	10½	AGS s			14	195	16⅝	16¼	16¼	−⅜
8⅝	3¼	AM Intl				464	4	3⅞	4	+⅛
65½	28¾	AMR			13	6665	43⅛	41¾	42⅛	−1½
24¾	19	ANR pf2.12		9.1		62	23¼	23⅛	23¼	+⅛
12¼	6⅜	ARX			8	64	8¼	8	8¼	+¼
73½	40⅞	ASA	3	6.6		299	45¼	44½	45¼	+¼
22⅝	9½	AVX			14	265	16⅝	16⅜	16½	+⅛
66⅝	40	AbtLab 1.20		2.6	17	2858	46⅞	46⅛	46⅞	+⅝
28	15⅜	Abitibi g	1			24	18¼	18⅛	18¼	−⅛
16¾	8½	AcmeC	.40	3.0		77	13⅜	13	13⅜	+⅜
20	14⅞	AdaEx 3.05e		20.		91	15½	15¼	15⅜	
19¼	6⅞	AdamMi24		1.9	10	31	13⅛	12⅞	12⅞	−⅛
24⅞	7½	AMD				1454	11⅜	11	11⅜	+¼
56¾	29¼	AMD pf	3	8.7		5	34¾	34½	34½	
11⅞	4⅝	Adobe			13	201	7⅞	7⅝	7⅞	+⅛
20½	16¼	Adob pf1.84		10.		15	18	17¾	18	+¼
21¾	17½	Adob pf2.40		11.		10	21⅛	20⅝	21⅛	+⅝
15	6⅛	Advest .12a		1.7	7	43	7	6⅞	7	+⅛
64½	42⅝	AetnLf 2.76		6.2	6	2931	44⅞	44⅛	44⅞	+1⅛
83½	41	AfilPub .40		.6	35	631	62	61⅝	61⅝	−⅜
24¾	13	Ahmans88		5.9	7	2094	15	14⅝	14⅞	−⅛
5	1¾	Aileen				26	2⅛	2⅛	2⅛	
53⅞	29	AirPrd	1	2.3	14	722	44⅝	43⅞	44⅝	+⅝
36	11⅛	AirbFrt .60		3.6	19	32	16⅞	16¾	16⅞	+⅛
16½	6¾	Airgas			17	198	13⅝	13⅛	13⅛	
19¾	13½	AirleasO.30		12.	10	56	18¾	18⅝	18¾	+¼
[illegible]										

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
17½	14	SeaC pfB2.10		13.		5	16¾	16½	16½	−⅛
17½	13¾	SeaC pfC2.10		13.		24	16⅝	16½	16⅝	−⅛
58	37½	SeaC pfD4.12		9.0		3	46	46	46	
82⅝	49	Seagrm1.10		2.2	9	1444	50¾	50⅞	50½	+⅜
24⅛	12⅛	Seagul			19	81	15⅝	15½	15½	−⅛
50⅝	28½	SealAir .58		1.3	17	103	44	43⅞	43⅞	
39⅝	21¾	SealPw1.20		3.4	17	322	36⅛	35⅝	35¾	−⅜
59½	29¾	Sears	2	5.6	8	3398	36	35¼	35⅞	+½
43⅞	20½	SecPac1.80		6.2	2295	782	30	29	29¼	−½
88⅝	40¾	SequaA15e		.2	14	372	65	62½	63	−2
18¾	9¼	Tyler	.44	3.1	14	388	13⅛	13	13	+⅛

U U U

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
25¾	11¾	UDC	2.20	12.	6	48	18½	18¼	18⅜	+¼
113	100	UDC pf				2	104	104	104	−1
30	21¾	UGI	2.04	7.8	9	85	26¼	26	26	
13¾	4½	UNCInc.01e		.1	12	1130	8	7½	8	+¼
27⅝	15⅜	UNUM	.40	1.9	11	80	21	20⅞	20⅞	−¼
45¼	26¼	USFG	2.64	8.6	6	1670	31¼	30¾	30⅞	+⅛
59	41¼	USFG pf4.10		9.3		65	44	43⅞	43⅞	

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
41¼	19½	Wrigly s	.64	1.7	23	818	38½	38⅜	38⅜	+1⅜
2⅞	¾	Wurltch				81	⅞	13-16	13-16	−1-
17½	7	WyleL s	.28	3.2	16	388	9	8⅝	8⅞	
30⅝	14½	Wynns	.60	2.9	44	63	20⅞	20½	20⅞	+⅛
85	50	Xerox	3	5.7	10	4042	52¼	51⅝	52¼	+¼
50¼	48¼	Xerox pf				100	49⅝	49½	49½	+¼
50¾	48⅞	Xerox pf4.13		8.4		255	49⅛	49	49⅛	+⅛
34⅜	19⅞	XTRA	.64	2.0	16	50	32	31⅛	32	+⅞
29½	18½	XTRA pf1.94		7.1		275	27½	27½	27½	+½
42¾	17½	Yorkin			14	422	40	39⅝	39⅝	−⅛
7¼	2¼	Zapata				164	3¼	3	3⅛	−⅛
37	13½	Zayre	.40	1.8	11	8052	23	22	22¼	−¾
16⅛	8¾	Zemex	.40	3.0	17	26	13⅛	13	13⅛	+⅛
33⅝	10	ZenithE				865	18½	18⅛	18¼	+⅛
12⅞	2⅝	ZenLab				627	2½	2⅜	2½	
24	18½	ZenNtl	.80	4.0	10	18	20⅛	20	20	−⅛
20⅝	11⅝	Zero	.36	2.5	15	150	14½	14¼	14¼	−⅛
30¾	15	Zurnin s	.88	3.3	14	238	20¾	20⅛	20⅝	−¼
10⅝	7⅝	Zweig	1.34e	13.		815	10	9¾	10	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ATSE			125	8½	8	8½	−⅛
ATTFdC.04e			50	37⅝	37	37⅝	+⅛
AcmePr			9	2½	2⅜	2½	+⅛

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 41

AMERICA

Rebounding Dow closes just below 2,000 mark

Wall Street

THE EQUITY market made a couple of determined runs at 2,000 on the Dow Jones Industrial Average yesterday but failed to breach this level in both a morning and late afternoon rally, *writes Janet Bush in New York.*

Nervousness continued to run high in the US Treasury bond market which is grappling with the unpalatable combination of robust economic growth and concern that the US Federal Reserve has started leaning towards tighter monetary policy.

The Dow managed an increase of around 20 points yesterday morning, rising just above 2,000, but demand dried up at that level. The index then fell back into negative territory before rebounding to close 16.91 points higher at 1,997.51. Volume was subdued with around 136m shares changing hands.

In the bond market, prices started the session mixed, slipped back to stand up to ½ point lower in longer-dated maturities before recovering to end mixed. In late trading, the Treasury's 8.875 per cent was quoted 3/32 point higher to yield 8.855 per cent.

The current mood of US financial markets is one of reaction to the vulnerability in the dollar and fears of higher interest rates. The extreme weakness in the bond market, which can sometimes benefit the equity market, has instead dampened the mood there as well.

The bond market's weakness has deepened this week. Prices fell as much as 1¼ points at one point on Monday as the market reacted to last Friday's strong employment figures. Another key negative factor is what traders see as evidence that the Fed decided to tighten monetary policy at last week's meeting of the Federal Open Market Committee.

The Fed's failure to add reserves to the market on Monday when Fed Funds were trading at 6⅞ per cent was a bearish sign for bonds. Ms Maria Fiorini Ramirez of Drexel Burnham Lambert notes that there is a suspicion that the FOMC meeting produced a "directive that is asymetrical with a bias towards a slight degree of reserve restraint." The Fed's decision not to operate in the market yesterday was seen as confirming this.

With no economic releases due out this week, the question of how much the Fed may be tightening is likely to dominate daily movements in the bond market and exert influence on equities. The dollar's behaviour will also be a key factor.

The mood on interest rates was not helped yesterday by statements from Fed hard-liner Governor Wayne Angell who told a meeting at the New York Futures Exchange that the current rate of US inflation was entirely unsatisfactory and that it was absolutely essential that consumer price inflation fell to the 1 per cent range by 1990.

As well as the dollar, interest rates and bond market weakness, the equity market is highly nervous about the implications of trade legislation being discussed in Congress.

Activity yesterday again centred on takeover stocks. F W Woolworth extended Monday's substantial gains, rising another $2⅝ to $56⅞. The rise in the share price is on expectations that the Dart Group could launch a bid for the company.

Koppers fell $1 to $56⅝. The company said yesterday it won a preliminary injunction to halt Beazer's hostile takeover bid. The decision means that Beazer can't complete its $1.69bn offer until further notice.

Kansas City Southern Industries slumped $3⅛ to $46⅞. The company said it would buy back the 11.3 per cent stake held by developer Mr Howard Kaskel for $60 a share.

Damon Corp, the manufacturer of medical instruments, jumped $3⅞ to $27 after a group including American Magnetics and Ballantrae Partners said it held a 9.97 per cent stake in the company and may seek control. American Magnetics rose $1 to $5⅝.

Canada

RISING industrial issues which offset pressure on gold stocks pushed Toronto stocks higher in mixed trading.

The composite index rose 15.40 to 3328.40 as declines outpaced advances by 417 to 377 on light volume of 21.5m shares.

Tom Burns on how a strong economy is underpinning confidence

Gains in Spain keep the doomsayers at bay

OPTIMISTS on the Spanish bourses have confounded their doomsaying critics since the start of the year, with all four markets producing strong first quarter gains.

A return of Spanish bullishness has helped the four exchanges to climb by 20.5 per cent in overall value over the first three months of 1988.

Barcelona, which started the year at a re-based index of 100, stood at 122.49, followed by Bilbao where the index moved from 231.38 to 356.32, up 22 per cent. Valencia climbed 19 per cent – from 209.50 to 249.96 – and the Madrid general index, which ended last year at 227.18 after touching 325 on October 6, was also 19 per cent higher at 270.91 at the close of the first quarter.

The newly-won confidence appears to be of a more mature kind than in the past, when Spanish market players had a nervous habit of looking over their shoulders.

"Before, when Madrid went up and the rest of the world did not, we all felt very nervous and now we don't so much," said a Madrid broker.

When the main world markets came off at the end of last month, the Spanish markets – or bolsas – continued to do lively business right up to the Easter break, albeit on a low volume.

The absence of nervousness is linked to the fact that Madrid is no longer at the head of the European pack, although it remains comfortably in the premier division.

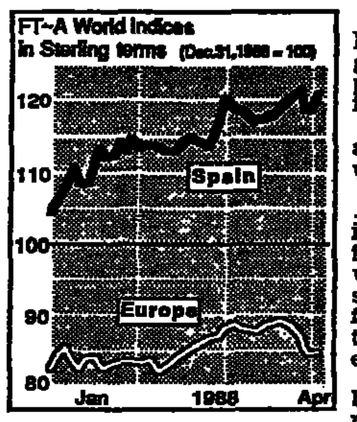
The situation helps to reduce stress for the front-runner and keeps at arm's length the "hot shots" who can dangerously stoke a market, as the bolsas discovered to their cost last year.

"The people coming in from abroad are the ones who know Spain and know what they are doing," said one analyst.

"The core (of investors) in the bolsas at present is a good one and they are here for the medium term."

There are sound reasons for the markets' growth over the past three months – and just as sound ones for a sustained climb.

First, Spain's remarkably high interest rates have been gradually falling. The ubiquitous Treasury bills that were soaking up liquidity, paying 14 per cent at the time of the crash, are now down to 10 per cent, having lost another point last month.



Second, and perhaps most importantly, is the strength of the fundamentals of the Spanish economy, which has been receiving plaudits from a succession of institutions, including, most recently, the OECD.

The macro figures continue to look healthy, with good economic growth ahead, a strong demand pull and a controlled fall in the inflation rate.

Bolsa insiders are also all too aware that a lot of Spanish companies are making much more money than their results suggest. In Spain, more than most places, it is vital to review cash flow figures, for companies are hard at work cleaning up their balance sheets and steeling themselves for the full effects of Euro-competition when the transition period ends in December 1992.

Yesterday's return to trading by Fecsa was a clear sign of corporate health. The Catalan utility has rescheduled its debts and is back on the bolsa after being suspended for 14 months.

One regret of brokers and investors alike remains the fact that good family-owned companies are still not tapping the stock markets for funds.

As a result, the Spanish markets are still not representative of the general state of Spain's economy.

Sectors that are fuelling the economy – such as agribusiness, tourism and retailing (the hugely successful Corte Ingles department store chain is family-owned and not quoted) – are strangers to the bolsas.

The Spanish markets do, however, have plenty to keep them busy. The current hostile bid for the Ebro sugar company by interests controlled by the Kuwait Investment Office has provided a fascinating inside view of the real value and annual turnover of a Spanish company that was previously outside the public eye.

And the introduction of more equity is helping to bolster the markets. The Instituto Nacional de Industria, INI, the state holding company, had a tranche of its cellulose company Ence comfortably over-subscribed last month. Considerable interest has also been aroused by the flotation in June of a substantial stake of INI's profitable electrical utility, Endesa.

Further excitement is expected by mid-autumn, when the flotation of Repsol, the state-owned petroleum company, is scheduled to take place.

EUROPE

Prices mixed as holiday mood hits volume

THE EASTER holiday mood spilled over into trading in most of Europe's bourses yesterday, leaving volumes around their lowest levels of the year, *writes Our Markets Staff.*

"It's absolutely dead," said one trader. "I don't think anybody's told continental Europe the holiday is over."

A fairly stable dollar and uncertain tone on Wall Street overnight failed to provide any direction.

The European markets are fragile and cautious at the moment, focusing on currencies and Wall Street, said Mr Russell Ereira of Salomon Brothers, the US investment banking and securities house. Moreover, it often took a day for trading to pick up after major holidays. "Europe needs to see what the Street does tonight before it determines its direction," he said.

FRANKFURT saw some domestic buying in early activity and turnover was again very thin. On Thursday, the last day of trading before the Easter break, volume on Germany's eight exchanges amounted to just DM1.2bn worth of shares.

Prices were generally little changed yesterday and the FAZ index edged 0.32 higher to 451.72.

One of the few movers was Porsche, which added DM14 to DM530. There was no particular reason for the rise, but dealers said a single buy order in a fairly illiquid stock could explain it.

Electrical group AEG lost DM5.30 to DM247.20 as speculation proved unfounded that Daimler was about to increase its 56 per cent stake. Rumours to this effect have driven the stock higher in recent weeks. Daimler was off DM1 at DM639.

Bonds lost about 20 pfg in thin trading following the decline in the US treasury bond market on Monday. The latest 6⅛ per cent 1998 federal bond yielded 6.23 per cent, up from 6.21 per cent.

AMSTERDAM also had a very quiet session, with only Fl 150m worth of shares traded compared with around Fl 600m on good days. But a slightly firmer dollar against the guilder and a stronger opening on Wall Street helped shares to a higher close, with the CBS general index up 1.3 at 83.3.

Many investors were sidelined, awaiting a rash of corporate results starting today with insurer Amev, up Fl 1.70 at Fl 54.

However, the paper sector showed strong gains, with KNP adding Fl 6.50 to Fl 144.50 and Buehrmann-Tetterode up Fl 1.60 at Fl 45.50. This followed an article in the Dutch press at the weekend saying paper demand in the US would be good this election year and that this should spill over into Europe as US paper mills were operating at full capacity.

PARIS took some cheer from the stronger opening on Wall Street and ended slightly firmer after a weak beginning, with sentiment hit at the start by the easier dollar and by the upcoming domestic election.

Trading was thin with many market operators still on holiday, and the CAC General index, based on opening prices, was up 0.5 at 284.6. Declining issues outnumbered advances 103 to 76 with 29 stocks unchanged.

Export stock Essilor, the optical glass company, saw one of the largest falls of the day, losing FFr75, or 5.3 per cent, to FFr1,340.

MILAN fell in thin trading, with the MIB index off 5 at 1,061.

Defence and fibre company Snia closed down L161, or 7.4 per cent, at L2,025 after Friday's news that it would pay no dividend following 55 per cent lower annual profits. Stet, which reports its results today, rose 1.27 to L3,015.

MADRID finished mixed, with foreign interest appearing in the construction and building sector, banking, and in market leader Telefonica, which was quoted in ADR form on London's Seaq International market for the first time yesterday.

The market's general index rose 1.44 to 272.37, while Telefonica added 2.75 percentage points to 173.75.

Electrical utility Fecsa rose strongly after returning to trading following a 14-month suspension for its renegotiation of heavy foreign currency debts. The stock made the maximum permissible 20 per cent jump, adding 12.25 percentage points to 73.50 per cent of par.

BRUSSELS began its two-week trading period on a quiet note with no specific news to give the market direction. The cash market index fell 34.06 to 4,805.58.

Retailer GB-Inno returned to the limelight, representing most of the day's activity with more than 9,000 shares traded. The issue added BFr16 to BFr1,200.

Royal Belge posted one of the larger gains adding BFr150 to BFr5,850.

ZURICH finished slightly higher in light, post-Easter trading. The Crédit Suisse index inched up 2 to 438.6.

Engineering group Sulzer saw its registered stock drop SFr200 to SFr4,750. On Saturday, Omni Holdings, owned by Swiss financier Mr Werner Rey, bought 20 per cent of the group for about SFr220m from another Swiss financier, Mr Tito Tettamanti.

Machinery maker Adolph Saurer, in which Mr Tettamanti acquired a 55 per cent stake last week, gained SFr10 to SFr355.

STOCKHOLM was largely steady in quiet trading. A continuing holiday atmosphere and an absence of news from foreign markets left turnover low at under SKr100m.

HELSINKI was fuelled by post-holiday optimism and saw active trading, with the Unitas all-share index rising 3.8 to 830.8.

OSLO closed mostly lower in thin post-Easter trade. The all-share index dropped 0.57 to 291.48.

London

CONTINUED concern over currency movements and low turnover kept share prices down in London yesterday, with the FT-SE 100 index falling 4.9 to 1,757.6.

Spanish telecommunications group Telefonica began trading in American Depositary Receipt (ADR) form in London, the first Spanish stock to be listed on Seaq International.

The ADR form – with three ordinary shares per ADR – means deals are settled through US depositories instead of having to go through sometimes lengthy settlement in Spain. The stock found little demand yesterday and moved only slightly above its opening bid price of $33.

ASIA

Nikkei suffers slight drop in sharply lower turnover

Tokyo

AN ABSENCE of institutional interest and market-moving factors undermined large-capital, high-technology and other leading equities in Tokyo yesterday and the Nikkei average finished slightly weaker, *writes Shigeo Nishiwaki of Jiji Press.*

The index lost 19.94 to 26,315.35 after moving between 26,266.42 and 26,427.66. Turnover decreased sharply from the previous day's 1.1bn shares to 684m shares. Declines outnumbered advances by 541 to 349, with 157 issues unchanged.

Giant-capitals eased as some corporations took profits after recent steady rises on buying by businesses and individuals. Institutions remained inactive.

The 10 most active stocks accounted for only 27.4 per cent of total turnover, down sharply from Monday's 45.6 per cent.

Big-capital steels and shipbuildings were hit almost across the board.

Nippon Steel, the most active stock with 50m shares traded compared with the previous day's 157m, shed Y3 to Y478. Sumitomo Metal Industries, second with 30m shares – down from 122.8m shares – fell Y4 to Y413. Kobe Steel weakened Y8 to Y331 and Ishikawajima-Harima Heavy Industries Y18 to Y862.

Power and gas utilities were dull, with Tokyo Electric Power falling Y90 to Y5,980 and Tokyo Gas Y20 to Y1,170.

The financial sector performed badly because of small-lot selling.

High-tech issues lost strength in late trading after opening firmer following their overnight gains on Wall Street. Sony closed up Y100 to Y5,220 and Matsushita Electric Industrial Y20 to Y2,670, but NEC moved down Y10 to Y2,070, Mitsubishi Electric lost Y5 to Y740 and Fujitsu was off Y10 at Y1,470.

Buying interest focused on a small segment of issues backed by favourable factors. Nissan Motor, third busiest with 24m shares, closed Y2 up at Y977 after climbing Y14 temporarily. Hitachi Seiki gained Y20 to Y640 and Daikin Industries Y7 to Y917 buoyed by strong investment by Japanese corporations in equipment.

Daimaru added Y30 to Y1,090 on persistent buying sparked by central Tokyo redevelopment projects. Nippon Suisan Kaisha firmed Y23 to Y688 and Kumagai Gumi Y30 to Y964.

Elsewhere, Iwatsu Electric fell Y31 to Y893 on reports that the national police agency had questioned its officials on electronic equipment exports to China.

Bonds meanwhile moved widely on speculative trading by dealers. The yield on the benchmark 5.0 per cent government bond due in December 1997 dropped from Monday's 4.250 per cent finish to 4.225 per cent at one stage in block trading on the Tokyo Stock Exchange.

The drop reflected expectations of lower interest rates ahead, following remarks by Bank of Japan governor Mr Satoshi Sumita indicating the central bank would retain its easy credit stance. But the yield rebounded later to close at 4.260 per cent.

In over-the-counter trading, the yield fell to 4.210 per cent temporarily.

Osaka stocks turned down slightly, with the Osaka Securities Exchange average weakening 20.23 to 26,422.05, on a volume of 68m shares, down 66m.

Tateho Chemical Industries incurred a maximum Y100 loss to Y895 on profit-taking and Rohm Y200 to Y4,500, while Nippon Dream Kanko scored a maximum Y200 gain to Y1,290 after reports that Daiei, Japan's largest supermarket chain operator, will invest in the amusement facility operator.

Australia

PROFIT-TAKING pulled equities lower in most sectors with the All Ordinaries index falling 3.1 to 1,412.5 in light trading.

Speculation that Mr Alan Bond planned a takeover bid for Brierley Investments helped boost the stock 13 cents to A$1.28, while Mr Christopher Skases' Quintex lost 5 cents to A$4.45 pending a decision on its bid for two television stations owned by Mr Robert Holmes à Court.

Singapore

LIGHT buying interest and sporadic bargain-hunting helped push share prices higher, after recent declines, in quiet and featureless trading.

Institutions stayed away, with small investors providing demand for Singapore-based blue chips and quality stocks. The Straits Times Industrial index added 9.15 to 926.83 on turnover of 11.7m shares, against 10.5m on Monday.

Price changes were small as activity centred mainly on Malaysian speculative stocks and cheaper-priced issues. UIC led the actives and rose 1 cent to S$1.84 on a turnover of about 860,000 shares.

Hong Kong remained closed. It reopens today.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 5 1988					MONDAY APRIL 4 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	116.03	+0.1	91.50	103.99	4.07	115.91	91.07	103.94	119.90	91.16	128.29
Austria (16)	92.47	+0.7	72.92	80.04	2.62	91.85	72.17	78.98	98.18	84.35	93.83
Belgium (65)	132.18	-2.0	104.24	114.09	4.29	134.89	105.98	115.12	139.89	99.14	117.22
Canada (126)	122.37	+0.3	96.51	109.79	3.00	121.97	95.83	109.24	123.42	107.06	136.07
Denmark (39)	120.03	-0.6	94.66	104.40	2.73	120.72	94.85	104.19	121.94	111.42	113.62
Finland (24)	127.47	+0.3	100.52	106.79	1.94	127.09	99.85	106.42	127.47	106.78	–
France (121)	82.06	-0.9	64.71	72.86	4.41	82.79	65.05	72.76	88.72	72.77	118.11
West Germany (99)	77.76	-0.9	61.32	67.47	2.72	78.49	61.67	67.45	80.79	67.78	95.33
Hong Kong (46)	99.30	-0.1	78.31	99.48	4.36	99.35	78.06	99.48	101.82	84.90	105.87
Ireland (18)	119.61	-2.6	94.32	105.27	4.22	122.79	96.48	107.30	122.83	104.60	123.37
Italy (102)	77.89	-1.5	61.43	71.96	2.69	79.08	62.13	72.45	81.74	62.99	103.28
Japan (457)	170.35	-1.0	134.34	134.70	0.53	172.03	135.16	135.19	172.91	133.61	136.69
Malaysia (36)	118.60	+0.3	93.53	117.50	3.31	118.27	92.92	116.88	121.63	107.83	134.08
Mexico (14)	139.78	-3.3	110.23	347.68	1.02	144.61	113.62	360.17	176.90	90.07	147.20
Netherland (38)	107.25	+0.1	84.58	91.71	4.97	107.15	84.19	90.77	109.73	95.23	118.24
New Zealand (22)	76.33	+0.1	60.19	61.96	5.58	76.24	59.90	61.87	79.15	64.42	94.66
Norway (25)	123.43	-1.4	97.34	104.83	2.97	125.16	98.34	105.67	125.16	98.55	129.80
Singapore (26)	108.60	+0.7	85.64	100.19	2.35	107.86	84.74	99.39	114.93	97.99	120.00
South Africa (60)	132.13	+3.0	104.20	83.72	5.08	128.32	100.82	83.72	139.07	118.16	162.79
Spain (42)	151.04	-1.8	119.11	127.58	3.34	153.85	120.88	128.49	153.85	130.73	108.51
Sweden (38)	118.10	-0.4	93.13	103.06	2.73	118.62	93.20	102.77	120.54	96.92	116.47
Switzerland (56)	81.07	-0.1	63.94	69.16	2.48	81.18	63.78	68.55	86.75	76.22	99.07
United Kingdom (330)	135.25	-0.7	106.66	106.66	4.42	136.24	107.04	107.04	140.79	123.09	130.10
USA (584)	105.36	+0.8	83.09	105.36	3.59	104.47	82.08	104.47	110.51	99.19	121.88
Europe (1013)	107.25	-0.8	84.58	89.40	3.88	108.16	84.98	89.55	110.53	97.01	115.00
Pacific Basin (676)	165.41	-0.9	130.45	132.05	0.70	166.96	131.18	132.50	167.78	130.81	135.19
Euro-Pacific (1689)	142.16	-0.9	112.11	115.12	1.67	143.45	112.71	115.44	143.85	120.36	127.14
North America (710)	106.27	+0.8	83.80	105.64	3.56	105.41	82.81	104.77	111.07	99.78	122.63
Europe Ex. UK (683)	89.87	-0.9	70.87	78.61	3.39	90.73	71.28	78.60	92.44	80.27	105.67
Pacific Ex. Japan (219)	105.95	+0.1	83.55	98.02	4.16	105.85	83.17	97.93	108.75	87.51	116.89
World Ex. US (1889)	141.38	-0.8	111.49	114.73	1.74	142.56	112.01	115.02	142.97	120.26	127.86
World Ex. UK (2143)	126.72	-0.3	99.94	112.02	2.11	127.06	99.83	111.87	127.96	111.77	125.09
World Ex. So. Af. (2413)	127.44	-0.3	100.50	111.68	2.31	127.86	100.45	111.59	128.91	113.26	125.29
World Ex. Japan (2016)	106.89	+0.2	84.30	99.49	3.71	106.66	83.80	99.07	110.99	100.00	120.23
The World Index (2473)	127.47	-0.3	100.52	111.49	2.33	127.86	100.46	111.40	128.96	113.37	125.53

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

The Danish and parent indices have been restated from March 31 inclusive. Amended indices are available from F.T. Prices on 01-403 0669.
Markets closed April 5: Hong Kong and South Africa.